High-risk games
The derivatives explosion
Page 13

Generic threat
Drugs groups fight expiring patents
Page 12

Green telecoms
Use the phone, cut the travel
Page 9

Toulouse
Hoping for a second take-off
Survey, Pages 23-25

FINANCIAL TIMES

Europe's Business Newspaper | WEDNESDAY MAY 18 1994 | D8523A

Fed raises discount rate to 3.5%

Economic expansion prompts US move to contain inflation

By Jurek Martin in Washington and Frank McGurty in New York

The US Federal Reserve yesterday raised its key discount rate to 3.5 per cent from 3 per cent to ensure that the current economic expansion does not become inflationary.

US markets rose strongly on news of the first increase in the trend-setting discount rate in more than five years. The discount rate is the rate at which the Fed, the US central bank, lends money to commercial banks and thus affects borrowing costs for everything from home mortgages to corporate loans.

A central bank spokesman said the Fed wants the half-point increase in the discount rate to lead to a commensurate increase in the federal funds rate – the rate at which banks trade money among themselves.

The Fed said the rise was effective immediately.

At 2.45pm the Dow Jones Industrial Average, which had lifted only slightly in early trade, was up 34 points at around 3,705. In the US Treasury market, bond prices leapt on the news, with the 30-year benchmark long bond up 1¼ points to almost 87. The yield fell 15 basis points to 7.334.

The dollar briefly jumped about half a pfennig at mid-afternoon in New York, but quickly gave back the gains on profit-taking. In afternoon trading the dollar was changing hands at DM1.6655, and et Y104.35, marginally up from Y104.25 earlier in London.

The White House said it would "wait and see" if the rate rise hurt growth. President Bill Clinton earlier in the day had appeared to give a tacit nod of approval to any increase in US short-term interest rates.

The Fed's decisions were announced in a brief statement issued at the end of a closed-door meeting of the Federal Open Market Committee, the policy group composed of Fed board members in Washington and Fed regional bank presidents.

While the Fed's previous three small rate rises have sent stock and bond markets spiraling downward, analysts said they were not looking for such a negative reaction this time.

Federal Reserve Chairman Alan Greenspan and other Fed officials have insisted they are not trying to choke off the economic expansion, but are merely pushing interest rates to a "neutral" level where they are neither spurring nor retarding growth.

In off-the-cuff remarks President Clinton said "there's clearly some room for [a level of] short-term interest rates over the rate of inflation that won't slow down our economic growth".

Mr Clinton's point was that any action by the Fed would not reflect concern about an existing threat of inflation, but rather fears of an expansion getting out of hand, with inflationary risks down the line.

Any interest rate increase would "first of all be because of growth", he said. "We have more jobs, lower inflation and a lower deficit, and projections for strong growth, good growth."

The only significant economic number released yesterday conformed to the recent pattern of sustainable non-inflationary growth. Housing starts fell in April to a seasonally-adjusted annual rate of 1.45m units from a revised 1.49m units the previous month. The decline in part reflected the impact of higher mortgage rates, now et an average 8.35 per cent their highest levels in two years.

Bonds, Page 19
Currencies, Page 32

UK and China to resume talks on Hong Kong airport

Britain and China said their officials would meet on Friday to discuss the financing of Hong Kong's airport project – the first such meeting since August last year.

The talks will mark another step towards normalising Sino-UK discussions on Hong Kong's future. Although it is unlikely the two sides will be able to announce a resolution to their two-year dispute about how to finance the airport, the UK government said it was hoping for an early agreement on the project. Page 14

Lloyd's reports $3bn losses: Lloyd's, the London insurance market, reported a loss of £2.05bn ($3.07bn) for its 1991 year of account, bringing cumulative losses since 1988 to more than £7bn. Page 14; Still shivering from US exposure, Page 8

Eurotunnel bankers optimistic: Bankers to Eurotunnel, the Channel tunnel operator, said they were making progress towards raising an extra £700m ($1.05bn) in loans for the company in time for the rights issue expected in ebout two weeks. Page 15

North Korean nuclear inspection begins: The International Atomic Energy Agency will begin an inspection today of North Korean nuclear facilities that could prove to be a turning point in the dispute over Pyongyang's nuclear programme. Page 14

France plans to pull troops from Bosnia: France said it planned to withdraw more than 2,000 of its troops assigned to the United Nations in ex-Yugoslavia by the end of this year, while still remaining the largest single provider of peacekeeping forces there. Page 2

Hata told to expect no-confidence vote

The likelihood of a change of Japanese government this summer increased when Yohei Kono (left), president of the opposition Liberal Democratic party, warned prime minister Tsutomu Hata he must resign or face a no-confidence vote as soon as the budget for this year clears parliament – probably in mid-July. Page 4

Hanson raises dividend: Anglo-American conglomerate Hanson raised its quarterly dividend from 2.85p to 3p when announcing half year pre-tax profits of £683m ($1.02bn), up from £507m, buoyed by £333m of disposal profits. Page 15; Lex, Page 14

Thai International ahead 300%: Thai International Airways reported a 300 per cent increase in half-year net profits to Bt2.28bn ($89.8m) largely because of improved efficiency. Page 17

Yemenis fight for control of key airbase: Fighting intensified in Yemen for control of the strategic southern airbase of al-Anad, 40km north of Aden, with both sides claiming victory. Page 4

Unctad says tariff cuts will hit third world: Tariff cuts agreed in the Uruguay Round of global trade talks will erode the competitive advantage of developing countries, according to the United Nations Conference on Trade and Development. Page 6

Italy's privatisation plan moves ahead: Italy's new government is pressing ahead with the flotation timetable of Ina, the insurance institute. Shares are due to be placed on the market at tha end of June. Page 2

Allied-Lyons, UK-based drinks, food and retailing group, which is paying £740m ($1.11bn) for control of Spanish drinks producer Pedro Domecq, reported a 20 per cent rise in annual pre-tax profits to £606m. Page 15, Lex, Page 14

Microsoft unleashes Tiger: US personal computer software company Microsoft has pounced on the emerging market for computer systems used to deliver interactive television services with software codenamed Tiger. Page 15

Two shot dead in Ulster: Two Roman Catholic workmen were shot dead and another wounded in an attack at an old people's home in Belfast. Tha Protestant Ulster Volunteer Force claimed responsibility.

STOCK MARKET INDICES

FT-SE 100:	3123.5	(+7.9)
Yield	3.89	
FT-SE Eurotrack 100	1476.21	(+4.46)
FT-SE-A All-Share	1571.48	(+0.2%)
Nikkei	20,133.53	(-54.91)
New York: lunchtime		
Dow Jones Ind Ave	3682.24	(+10.74)
S&P Composite	444.6	(+0.11)

US LUNCHTIME RATES

Federal Funds:	4¼%
3-mo Treas Bills: Yld	4.283%
Long Bond	85½
Yield	7.429%

LONDON MONEY

3-mo Interbank	5 ⁵⁄₁₆%	(5 ⁹⁄₃₂%)
Liffe long gilt future:	Jun 105 ²³⁄₃₂	(Jun 105 ⁵⁄₃₂)

NORTH SEA OIL (Argus)

Brent 15-day (Jul)	$15.79	(16.135)

Gold

New York Comex	$383.5	(383.7)
London	$383.8	(380.2)

STERLING

New York lunchtime:		
$	1.5075	
London:		
$	1.5043	(1.5039)
DM	2.5095	(2.5174)
FFr	8.6001	(8.6315)
SFr	2.1345	(2.1453)
Y	157.014	(157.273)
£ Index	80.2	(80.5)

DOLLAR

New York lunchtime:		
DM	1.663	
FFr	5.70725	
SFr	1.41435	
Y	104.305	
London:		
DM	1.6683	(1.674)
FFr	5.7172	(5.7396)
SFr	1.419	(1.4265)
Y	104.36	(104.58)
$ Index	65.6	(65.7)

Tokyo close Y 104.7

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$16	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL60		
Cyprus	C£1.10	India	Rs50	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
France	FFr9.50	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L30000		
						UAE	Dh12.00		

Schneider bank creditors stand to lose $2.7bn

By David Waller in Frankfurt

Bank creditors to Germany's failed Jürgen Schneider property gronp stand to lose up to DM4.5bn ($2.7bn) – nearly all the DM5bn of debts outstanding and nearly double the initial estimates when the company collapsed early last month.

Mr Gerhard Walter, the administrator in charge of the group's bankruptcy proceedings, said the 121 properties owned by Schneider had a market value of only DM3bn-DM3.5bn. He was speaking after the first meeting of creditors to the Schneider group since it filed for bankruptcy.

The first official estimate of Schneider's deficit suggests that banks are set to lose far more than was believed in the immediate aftermath of the collapse. It was then thought that banks would lose a maximum of half of their outstanding loans.

The company's head, Mr Jürgen Schneider, has been missing since just before the company's collapse.

Although the figures confirm the Schneider case as the worst property collapse in Germany since the second world war, bankers said that the estimates and the assumptions behind them may be unduly pessimistic.

Losses will not crystallise for years, if at all, until such time as the Schneider properties are sold.

Mr Walter said in calculating tha deficit, he had taken into account the further cash the banks will have to invest to bring the properties into marketable condition, as well as rolled-up unpaid interest which will accumulate on the outstanding debts.

The 15 largest properties will need a further DM1bn spending on them over the next two years to bring them to completion. He estimated that a second tier of properties would need further expenditure of DM600-DM650m. Rolled-up interest will amount to a further DM1bn.

If this is deducted from the group's remaining financial resources, the total potential exposure mounts to DM7.5bn.

The deficit is the difference between DM7.5bn and the DM3bn-DM3.5n which could be raised by selling the properties.

Mr Walter said the calculations were based on a further deterioration of the German property market over the next two years.

The scale of the deficit is such that craftsmen and trade creditors stand to lose up to DM250m owed to them by the Schneider gronp. Individual banks, however, have agreed to compete Schneidar davelopments and have promised to pay off trade creditors. Deutsche Bank, the biggest creditor, which is owed DM1.2bn, has said it will pay DM50m owed to trade creditors on the projects financed by the bank. It was this sum which Mr Hilmar Kopper, chief executive of the bank, described as "peanuts" in a recent press conference.

It is not clear if the banks' write-offs will correspond to Mr Walter's estimates of the deficit.

The decision on how much to provide for the exposure to the Schneider group will not be taken until early next year.

Sit-down protest grounds airline

Air Inter pilots stage a sit-down strike at Orly airport, Paris, grounding all the carrier's flights in a protest over airline market liberalisation. Unions want greater autonomy from Air France, Air Inter's parent company. Union fear, Page 3 Reuter

Globex dealt blow by Liffe rejection

By Antonia Sharpe in London

Globex, the electronic futures trading system developed and operated by Reuters, the financial information and news group, was dealt a further blow yesterday when Liffe, London's financial futures and options exchange, said it had decided not to join.

Liffe's decision comes one month after the Chicago Board of Trade announced it was pulling out of Globex, despite a new agreement designed to revitalise the system and lighten the financial obligations on participating exchanges.

Only the Chicago Mercantile Exchange and France's Matif remain as Reuters' Globex partners. However, the DTB, Germany's futures exchange, is expected to make a decision today on whether it will join. Simex, Singapore's futures exchange, is also in talks with Globex.

Mr Nick Durlacher, Liffe's chairman, said the board's decision reflected its main priority, which was to increase the international distribution of Liffe's products outside European time zones.

"Regrettably, the terms of our participation in Globex would

Continued on Page 14

State prosecutor under fire over VW 'spying' probe

By Christopher Parkes in Frankfurt

The prima minister of Lower Saxony and five leading German lawyers yesterday launched a concerted attack on the state prosecntor in charge of the Volkswagen-General Motors industrial espionage probe.

Mr Gerhard Schröder, Social Democrat prime minister of Lower Saxony and effective holder of the state's 20 per cent stake in VW, complained of an alleged lack of fairness and the use of "questionable" methods in the investigation.

His attack was based on weekend reports that lawyers working for Adam Opel, GM's German subsidiary, last year hired private detectives to stalk suspect VW employees – all formerly employed by the US group. According to the reports, tha detectives used subterfuge to win their confidence and gain access to their private property.

Meanwhile, the five lawyers representing Mr José Ignacio López de Arriotúa, GM's former global purchasing chief, and colleagues who followed him to VW, said they planned to investigate the methods used on behalf of the prosecution.

Yesterday's events represented the most vigorous and concerted retaliation so far against the US-based GM group's allegations of the theft of masses of corporate secrets by Mr López and his associates.

"We will carefully examine the extent to which the state prosecutors' office tolerated or had knowledge of inadmissible deceptions," the lawyers said in a joint statement, issued by VW.

Referring to "indications" that the Opel detectives had used subterfuge in their probes, the lawyers said they would also examine the extent to which the private detectives' methods might have prejudiced the findings of the official probe.

The statement from Mr Schröder seemed aimed at exerting pressure on the Social Democrat government in the state of Hesse, Opel's German base, and the seat of the criminal investigations, to intervene in the case.

Tha lawyers' intervention appeared to signal the start of legal retaliation. "This is no longer the VW affair, it is now the Opel affair," said Mr Otto Ferdinand Wachs, VW group spokesman.

While the Darmstadt prosecutors' office issued a firm denial of the VW lawyers' allegations, the latest events may presant a chance for VW to open a new front in the legal battle between the two companies, which has already lasted more than a year.

This was reflected in comments by officials close to VW that there could be legal consequences if Opel agents had used deception. Opel, which last weekend admitted its lawyers had employed private detectives, yesterday denounced the VW lawyers' "diversionary tactics".

The company suggested that their sensationalising of Opel's defensive measures and the exertion of "pressure on the public prosecutors' office", was an attempt to divert attention from the investigations into the betrayal of company secrets, breach of trust and fraudulent conversion.

CONTENTS

Italy's privatisation plan set to go ahead

Government has given go-ahead for flotation of insurance institute, writes Robert Graham in Rome

Italy's new government has given its strongest signal yet that it will honour the country's wide-ranging privatisation programme by pressing ahead with the flotation timetable of Ina, the insurance institute. Shares are due to be placed on the market at the end of June.

This emerged from a meeting yesterday between Mr Lamberto Dini, Treasury minister and former director-general of the Bank of Italy, and Mr Giancarlo Pagliarini, budget minister.

Complex problems surrounding the privatisation of Ina have led to speculation about delays. Though aware of the difficulties in meeting the June 26 date set for Ina by the previous government, the Treasury-led privatisation team is anxious to demonstrate the new government's commitment to privatisation. They are playing down statements hy the populist Northern League, a key partner in Mr Silvio Berlusconi's government, that there should be a month's delay in all privatisation plans to assess strategy.

Two of the three ministries responsible for privatisation – budget and industry – are controlled hy League ministers. But both have distanced themselves from the party's call. Both, however, are anxious to avoid repeating the concentration of control achieved directly and indirectly by Mediobanca, the Milan merchant bank, in the sale of Banca Commerciale Italiana and Credito Italiano.

The neo-fascist MDI/National Alliance, Mr Berlusconi's other main government partner, has so far refrained from imposing its long-standing "corporatist" ideas of state ownership. The privatisation process in fact seeks to dismantle many of the institutions, including Ina, which were set up during the fascist era.

Mr Berlusconi, in outlining his government's policy programme to the senate on Monday, promised to accelerate privatisation in the first 100 days of his government. He singled out Ina, Stet (telecoms), Enel (electricity) and Eni (oil and gas). All were on the former government's privatisation list, with Enel and Stet scheduled for the autumn after the latter has reorganised the state's telecommunications assets under one holding, Telecom Italia.

The opposition has latched on to the omissions in his programme. He mentioned nothing, for instance, about Alitalia, the national airline, which has just begun to discuss a radical restructuring programme with the unions involving cutting a quarter of the workforce and a L1,500bn (£626m) capital injection.

Alitalia will test the government's unity both over any confrontation with the unions and on privatisation. The League and Mr Berlusconi's Forza Italia are happy to see the airline privatised with the government retaining a golden share. The MSI regards the airline as a strategic asset and would be extremely hostile to significant foreign stake. The objection to foreign control could apply to Krupp's move to bid for the special steels side of Ilva, the state steel group.

A hroader issue to be tackled within the next few days is the fate of Iri, the giant state holding. The government's enthusiasm for privatisation renders Iri increasingly obsolete. Prof Romano Prodi, brought back as chairman a year ago, is reportedly ready to resign because of differences over the holding's future.

He was noticeably absent from discussions earlier this week on the reorganisation of Telecom Italia, which is a key part of the Iri empire and accounts for an important part of its debt.

The Iri board tomorrow considers the 1993 accounts, which are expected to show a loss of L10,000bn and debts of L75,000bn.

Pressures on drachma send rates up again

By Kerin Hope in Athens

Greek interest rates surged again yesterday as pressure on the drachma continued, but the currency held its ground against both the D-Mark and the US dollar.

The three-month interbank lending rate averaged 77 per cent, up from 48.5 per cent on Monday, while the one-month rate reached 100 per cent.

Dealers reiterated that devaluation could not be ruled out helieving pressure on the drachma would resume once interest rates started to decline, even if depreciation were speeded up in the meantime. Said one: "These rates can't be sustained beyond the end of the month. The drachma may be allowed to slip 5 per cent until then, but the speculators will still be waiting."

The drachma weakened only slightly against the D-Mark, closing at DM148.3 compared with DM148.2 on Monday. It was unchanged against the dollar, at Dr247.9.

Government officials voiced relief that the threat of a devaluation immediately after curbs on short-term capital movement were lifted last weekend had been averted. They said that new measures to reduce the budget deficit, including an expanded privatisation programme and a tougher crackdown on tax evasion, would be announced by next week.

"The speculative pressure has been less than we expected," one adviser said. "The crucial matter now is to reinforce revenue-raising measures and gain policy credibility."

However, there was little indication that confidence in the drachma was being maintained. Two new issues of Ecu- and dollar-linked bonds at higher interest rates, aimed at attracting funds from overseas investors to boost the foreign exchange reserves, raised less than anticipated. According to initial estimates, they raised a total of $250m in funds from abroad, against a target of $500m. The government extended the subscription period for a second day.

Despite the liberalisation of short-term capital movement, Greek investors may still have difficulty moving funds to other European Union countries. The complex procedures laid down by the central bank are designed to prevent rapid capital outflows by deterring investors from exporting money earned on the flourishing black economy much of which is currently funnelled into tax-free government bonds.

According to the new Bank of Greece regulations, transfers of more than Ecu2,000 (£1,540) must be accompanied by the sender's tax details.

● Nearly Dr1bn (£2.7m) worth of state bonds were claimed yesterday to have disappeared from the Bank of Greece and officials fear they may have already been encashed, AP reports from Athens.

Russian minister warns on debt interest payment

By John Lloyd in Moscow

The minister in charge of debt negotiations with Russia's sovereign and commercial creditors said yesterday he believed be would conclude deals with the Paris and London Clubs. However, interest repayments on the $80hn-plus debt could be no more than $4bn this year.

Mr Alexander Shokhin, deputy premier for the economy, said Russia had asked for a delay in meeting the Paris Club in order to work out "a new draft on repayments" for the present year. The talks are due to begin in Paris on June 2, and Mr Shokhin said "we would like to solve the issue before the [Group of Seven] Naples summit" in July.

His optimism stems from the agreement in March between the Russian government and the International Monetary Fund on the second tranche of a $3bn loan – a move which has increased international confidence in the government's policies.

However, the $4bn which Mr Shokhin said would be the limit the budget could stand represents only a fraction of the total debt service obligations for the present year. According to the US investment bank J P Morgan, Russia owes around $21bn this year, of which $6.7bn is interest and $14.6bn is principal.

Mr Shokhin's forecast came amid further dire warnings about Russia's economic plight. Mr Sergei Shakhrai, who resigned yesterday as a deputy premier, said the government would not surviva a continued crisis on non-payment of wages.

Mr Arkady Volsky, head of the Union of Industrialists and Entrepreneurs, said the civic accord on political behaviour signed recently by most parties and associations would be valueless without a turn upwards in the economy. Production in the first quarter had fallen by a third in Moscow alone compared with a year ago.

Mr Yegor Gaidar, leader of the Russia's Choice party and former first deputy premier, said in Izvestiya that Mr Vladimir Zhirinovsky, leader of the ultra-nationalist Liberal Democratic party, was a "great threat" to Russia's fragile democracy. In the same newspaper, Mr Boris Fyodorov, head of the December 12 party and former deputy premier for finance, said "the very statehood of Russia is under deadly threat".

A Russian pensioner seeks help yesterday with his application for privatisation shares in a state-owned energy concern. Under the privatisation programme all citizens were given vouchers exchangeable for shares. The deadline for submitting them is July 1. Picture: Associated Press

France announces partial pull-out of troops from Bosnia

By David Buchan in Paris and Laura Silber in Belgrade

France said yesterday it planned to withdraw more than 2,000 of its troops assigned to the United Nations in ex-Yugoslavia by the end of this year, while still remaining the largest single provider of peacekeeping forces there.

The decision was abruptly announced by Mr François Léotard, the defence minister, on French radio yesterday before UN commanders and allies had been informed. The foreign ministry was quick to add that the partial pull-out might be reversed if there was a diplomatic breakthrough in the desultory peace talks in the region.

These were being further threatened yesterday. Amid reports of heavy fighting between Serb and Moslem forces in north-eastern Bosnia, and a Serb artillery attack on Tuzla airport, Lord Owen and Mr Thorvald Stoltenberg, the international mediators, met President Slobodan Milosevic of Serbia in Belgrade to try to push forward the peace process.

After discussing Gorazde, a UN "safe area", and the Bosnian Serh refusal to comply with the terms of the Nato ultimatum calling for their withdrawal from the zone, Lord Owen and Mr Stoltenberg headed off to meet Bosnian Serb leaders in Zvornik, a Serb-held town in eastern Bosnia.

France had already announced in March the departure next month of 900 troops from the Glina region of Krajina. But Mr Léotard disclosed yesterday that the 1,350-strong French battalion around Bihac in western Bosnia would leave in November, leaving some 4,500 French "blue helmets" on the soil of ex-Yugoslavia.

In advance of last Friday's meeting with US, Russian and European Union peace mediators, the prime minister, Mr Edouard Balladur, warned that "the moment of choice is approaching", and that France would only maintain its effort "if all our main partners show the same determination and are ready to make a sufficient commitment".

A defence ministry official said yesterday the latest French announcement was directed not only at the warring parties but also "the American and Russians who do not seem to share the sense of urgency which we and the British have, because of our sizeable forces on the ground".

France's general military strategy has been to reinforce, for reasons of safety and efficiency, its presence in Sarajevo, where in fact it added a third battalion in March. But the defence official said there was a further specific reason to pull out of Bihac.

"There, we have found ourselves diverted from our original humanitarian mission because we have been caught in the middle between two factions of Moslems," he said.

Meanwhile, Serbian radio said there was heavy fighting to the north-east, with Moslem forces suffering heavy losses.

But local witnesses said Moslem forces had launched an offensive, with the Serbs taking serious casualties.

They said that Moslem forces had seized two out of three strategic heights from where Serb forces previously used artillery to bombard Tuzla, the second biggest Bosnian government stronghold in the north-east. UN monitors yesterday reported Serb shelling of Tuzla and its airfield.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl- Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363
Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

EUROPEAN NEWS DIGEST

IMF ready to back Turkey

A standby loan agreement between Turkey and the International Monetary Fund seems imminent after the head of the Fund's negotiating mission to Turkey yesterday publicly endorsed the Ankara government's austerity programme. Mr Thomas Reichmann, concluding a two-week mission to Turkey, said he was recommending the programme to the IMF board. Agreement on a letter of intent could be in place in early July, paving the way for immediate disbursement of up to $250m to support the balance of payments. The one-year standby, which depends on Turkey's quota with the Fund, is likely to be up to $500m.

Turkey's austerity programme envisages slashing the budget deficit by half to TL93,000bn (£1.87bn) in 1994, through wage restraint, official commodity price rises, new taxes, and faster privatisation. Turkey will repay around $9.1bn in 1994 on its medium and long term debt, in principal and interest. It is looking for $3.7bn in new drawings in 1994, according to the State Planning Organisation. A Fund accord is vital to restore international confidence in the Turkish economy and is a precondition for World Bank structural adjustment loans, now under negotiation. *John Murray Brown, Ankara*

Top Russian reformer resigns

Mr Sergei Shakhrai (left) yesterday resigned as Russian deputy prime minister after losing his post as minister in charge of nationalities on Monday. Mr Shakhrai, 38, was one of the most senior reformers left in government. He appears to have fallen victim to increasingly fractious infighting between the vast presidential staff and the government. Mr Shakhrai left the door open for his return by saying in his resignation letter that he left without having "taken offence." He resigned after Mr Nikolai Yegorov, former head of the Krasnodar region, was given his job of nationalities minister without warning or consultation. He will now concentrate on building up his small but influential Party of Unity and Accord in the Duma. *John Lloyd, Moscow*

Unions fear Orly competition

Air Inter, the French domestic airline, was brought to a virtual standstill yesterday as unions launched a one-day strike in protest over the liberalisation of the French airline market. Unions said the introduction of competition on some of their most profitable routes would compound the financial pressures facing the loss-making airline. They demanded that Air Inter be given greater management autonomy from Air France, its state-owned parent company, and be allowed to operate on profitable European routes.

Last month, the European Commission ordered the French government to open routes between London and Orly airport in Paris to competition, and said the lucrative Orly-Toulouse and Orly-Marseilles routes must be opened to rivals within six months. Mr Michel Bernard, president of Air Inter, said the relationship between Air Inter and Air France would be reorganised during the summer. An airline official said it was important the domestic airline remained part of the Air France group, but increased competition on some of its profitable routes should be compensated by a relaxation in requirements to serve unprofitable routes. *John Ridding, Paris.*

Small companies' cash restraint

Poor access to finance means that Europe's small and medium sized enterprises are unlikely to provide a solution to the European Union's unemployment problem, according to a survey yesterday. Tipped by the European Commission to become the main source of jobs as European economies recover, more than half of Europe's smaller companies are not confident that they have sufficient finance to support their plans, according to a study of 5,000 companies in the 12 member states plus Austria, Sweden and Malta.

Funding is most precarious in France, Greece, Italy, Spain and Austria but satisfactory in Belgium, Denmark and Holland. The survey showed that most smaller company finance is short-term. In the UK, 70 per cent fund their businesses with an overdraft, compared with only 37 per cent in Germany where loans are preferred. By contrast, more than 80 per cent of German companies favour loans of two years or more, against only 40 per cent in the UK. *Emma Tucker, Brussels*

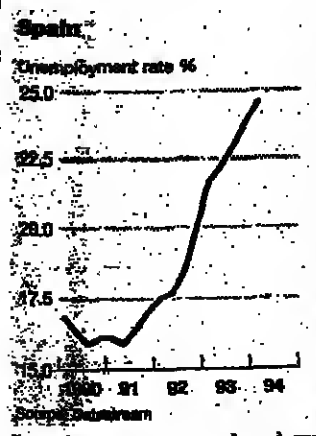
Lawson presses for OECD job

Lord Lawson, the former UK chancellor, was in Washington yesterday, meeting Mr Lloyd Bentsen, the US treasury secretary, and Ms Joan Spero, undersecretary of state for international economic affairs, in pursuit of his candidacy to be the next director general of the Organisation for Economic Co-operation and Development. His mission is to try to prise loose crucial US backing for Mr Don Johnston, the former Canadian minister. Other contendera are Mr Jean-Claude Paye, the incumbent, who is seeking a third five-year term, and Mr Lorenz Schomerus, a senior German economics ministry official.

The next regular meeting of OECD ministers early next month in Paris has to find a consensus on the succession, though Lord Lawson thinks this remains unlikely unless the US changes its mind. Support appears evenly divided between the former chancellor, Mr Johnston and Mr Paye, with Mr Schomerus trailing. Lord Lawson wishes to give the OECD a higher profile in international economic affairs, an argument that might appeal to the US. He sees the organisation as a key ingredient in the international policy-making network, along with the Group of Seven and the nascent World Trade Organisation. *Jurek Martin, Washington.*

ECONOMIC WATCH

Spain's jobless rate hits 24%



Spain's jobless rate, the highest in the European Union, reached a record 24.6 per cent in the first quarter, according to the National Statistics Institute's latest survey. But the economy ministry said unemployment had probably peaked and pointed to signs of improvement in the trend. Most experts believe the quarterly survey overstates the number of jobless but provides a better reflection of trends than registered unemployment, which declined slightly in March and April to stand at 17.8 per cent. The first-quarter survey figure of 3.79m unemployed was 110,000 up on the previous quarter and 492,000 more than a year earlier. But the ministry said this partly reflected new arrivals on the job market, especially women. The ministry predicted employment would start to rise as the economy picked up. *David White, Madrid.*

■ Danish prime minister Poul Nyrup Rasmussen said the government expected a current account balance of payments surplus of between DKr28bn and DKr30bn (£2.86bn-£3.07bn) in 1994 compared with a previous forecast of DKr24.6bn.

■ Finland's jobless rate fell to 19.5 per cent in April from 20.8 per cent in March, the labour ministry said.

Shoddy meets quality in Transylvania

Chrystia Freeland and **Virginia Marsh** on the bitter contest between the old and new at a bankrupt Romanian factory

A postcard pretty town in the heart of mountainous Transylvania, Codlea is an unlikely setting for the conflict at the centre of eastern Europe's economic transformation.

However, over the past few months this sleepy Romanian town has seen a contest pitting efficient, often brutal, capitalism with its promise of future prosperity against a rickety, unproductive, centrally planned economy, with its guarantee of a job but a dismal standard of living for everyone.

For many of the individual actors, the struggle at the Magura Codlea furniture factory which employs 1,600 of the town's 25,000 inhabitants, has been a personal tragedy. One victim was the factory director who committed suicide when the conflict began to heat up late last year. For the workers, it has meant coming to terms with western standards of quality and efficiency after four decades of communism.

The suicide came after the company, privatised at the end of 1992 via a management buy-out, lost its western export markets, racked up a $9m debt and was about to be foreclosed by its creditors, IKEA, the Swedish furniture retailer, and the Ion Tiriac Bank, a private local bank founded by the Romanian-born tennis star.

The man now at the forefront of the battle is Mr Hakan Gunnerling, a Swedish specialist in turning around failing companies, who was sent in by the creditors to coax or coerce the Magura Codlea factory into capitalist ways.

"Nothing surprises me any more," says Mr Gunnerling, who, in less than a year in Romania, has suffered the suicide of a colleague, several pugnacious strikes – including occupation of the factory by protesting workers – and sustained attacks in the national media. He has also been advised to hire a personal bodyguard.

But there is still a certain, almost innocent, western bewilderment in his explanation that "now we have the right machinery, wa have the necessary customer, but we just don't have the right people".

Mr Gunnerling's impatience with Magura Codlea's shoddy socialist past is apparent the moment he walks into the factory's meeting room. This is one of Romania's premier furniture factories but visitors must choose their seats with care because some of the chairs in the room, built in the bad old days of Nicolae Ceaucescu's socialist autarky, collapse under the slightest pressure.

"To have chairs like this in a factory which has been producing furniture for 100 years, it's so awful that its almost funny," Mr Gunnerling says. Standing in silent reproach along the walls of ths room are the sturdy, clean-lined bookshelves which, under Mr Gunnerling's stern supervision, the factory has been producing for IKEA.

> For many of the workers it was bad enough to be required to make bookshelves in which the screws routinely matched the holes, but the final straw was when the company's finances were subjected to scrutiny . . .

IKEA, which has been purchasing furniture from Magura Codlea for more than two decades and is the factory's principle customer, saw the privatisation as an opportunity to bring production of all the factory's production up to western standards.

According to Mr Gunnerling, Magura Codlea's furniture, in true socialist fashion, "could look good when it was packed, but when it arrived at the end-user it was scratched".

So Mr Gunnerling, who arrived in Transylvania in October, summoned a team of IKEA engineers and set about teaching Magura Codlea's workers quality control and training them in the use of new equipment from IKEA, to be paid back with future exports.

But IKEA's much-vaunted insistence on high standards ran into the resistence of a workforce trained in a system in which, as the east European joke goes, "they pretend to pay us and we pretend to work". As Mr Gunnerling discovered, "not everyone is able to learn to run complicated machinery or to take responsibility for his work".

For many of Magura Codlea's workers it was bad enough to be required to make bookshelves in which the screws routinely matched the holes, but the final straw was when Mr Gunnerling subjected the company's finances to scrutiny. He made a discovery which had been obscured by Romania's byzantine accounting standards – the company was broke.

"I pointed out to the board of directors that the company is losing money and will continue to lose money for some time," Mr Gunnerling said. "By western standards, it was bankrupt, and in these circumstances it was normal for the creditors to take control."

For Magura Codlea's workers, the creditors' seizure of the company's shares last December was going too far. "They still believe they own the factory," Mr Gunnerling said. "Here we have 1,600 directors with 1,600 ideas of how the company should be run."

Protesting that the factory had been "stolen" – by ths managers and the creditors – in mid-January Magura Codlea's employees began a series of strikes. At the height of the stand-off, Mr Gunnerling told workers assembled in the factory canteen that their strike was illegal and that every one was fired, unprecedented in a country where inefficient state companies still keep thousands of surplus workers on their books.

Mr Gunnerling has since stepped back from that drastic measure but still plans to lay-off 300 this summer and thinks that 700 is the optimal number of employees. Production has resumed, although new strikes are always possible.

The ex-communist government, surprising its critics and acting against the instincts of many of its ministers, has resisted the temptation to re-nationalise the factory or to prevent the creditors from taking direct control.

But Magura Codlea still has too many workers with too few skills, and a reluctant Mr Gunnerling fears that to maintain the fragile peace in his workshops he may have to sack the remaining individuals behind the management buy-out.

It is not a peace treaty, only a ceasefire, with compromises on both sides. But Magura Codlea has already become a pioneer in a country still only half way down the road to capitalism.

Security council agrees on 5,500 more troops but most countries wary of taking part

UN to send new peace force to Rwanda

By Michael Littlejohns, UN Correspondent, in New York

Rwanda's foreign minister, Mr Jerome Bicamumpaka, conferring with his delegation at the UN in New York yesterday after the unanimous vote to send more peace-keepers. UN diplomats acknowledge, however, that the move is unlikely to halt the fighting AP

The United Netions security council yesterday agreed unanimously to send up to 5,500 peace-keeping troops to Rwanda, reversing a resolution last month that withdrew most of a UN force of little more than half that number.

Bot the question last night was where the bulk of the troops would come from, since no western country, including the US, appears willing to commit contingents.

Forthermore, diplomats acknowledged that the force was unlikely to make much impact on what the council's resolution termed the "mindless violence and carnage engulfing Rwanda".

Estimates of deeths in 10 weeks of bloody conflict between Hutu and Tutsis range from 200,000 to as many as 1m.

The US held up a council decision until the last minute, arguing that the parties to the conflict had indicated no readiness to call a ceasefire or even to agree to the UN operation.

These reservations, shared by some other western members, were a clear backlash after the experience in Somalia which has coloured the Clinton administration's response to all subsequent UN appeals for help. However, the US is expected to provide some logistical support for what at best is likely to be a mostly African army.

Mr Boutros Boutros Ghali, the UN secretary general, has asked 40 African states to provide troops. Ghana is considering whether to return 500 men it evacuated from Rwanda last month at the height of the ethnic slaughter. Nigeria and Tanzania are understood to have offered troops, and Senegal and Zambia are reported to be considering whether to send soldiers.

In deference to the US, the council will review the situation in Rwanda after the first deployment phase is completed, including sending in 150 military observers.

Pentagon specialists have warned UN officials that the organisation was under intense scrutiny by the US Congress and that another failure, such as that in Somalia, would severely discredit the UN as e peace-keeper.

Under an expanded mandate, the UN force must try to protect displaced civilians who are at risk, including refugees and displaced persons, establish and maintain secure humanitarian areas and provide security for and support relief operations.

Harare sows seeds for an investment harvest

Tony Hawkins reviews the progress and potential of an ambitious structural adjustment programme

Political transition in South Africa and economic reform in Zimbabwe are transforming the regional business climate, suggesting that Zimbabwe's investment promotion conference, starting in London tomorrow, will prove far more successful than its predecessor five years ago.

Then, Zimbabwe had not embraced structural adjustment, and South Africa appeared headed for long-running, bloody confrontation.

After a slow start in 1991, economic reform in Zimbabwe has accelerated over the past 18 months with two substantial tranches of exchange control and foreign payments liberalisation. This was complemented by price deregulation, labour laws and investment regulations, ths commercialisation – though not yet privatisation – of some state snterprises, the freeing of interest rates and a partial exchange rate float.

In January, the Zimbabwe dollar was devalued by 17 per cent and quantitative import controls were abolished. A two-tier exchange rate system was created with exporters allowed to retain 60 per cent of their foreign earnings, selling the balance to the Reserve (central) Bank of Zimbabwe at the official exchange rate.

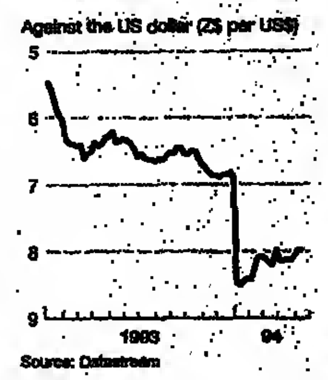
Initially, the free market rate traded at a discount of some 5 per cent below the official rate of Z$8 to the dollar, but the gap has since narrowed to less than 1 per cent, and the market is to be unified later this year when exporters will retain all their earnings and all current account transactions will have been liberalised.

This cannot come too soon for some of the multinationals attending this week's meeting. In an effort to attract new investment, Zimbabwe has – mistakenly – favoured the relatively few newcomers (Tony O Reilly's Heinz and Algy Cluff's gold mines being the two most notable) over the long-standing players such as Unilever, Dunlop, Carnaud Metal Box, Barclays and Standard Chartered Banks.

For the past decade, pre-independence investors were not allowed to remit more than 25 per cent of after-tax profits, while new arrivals were allowed 50 per cent. These regulations have since been loosened allowing post-1993 investors 100 per cent repatriation, while existing companies are allowed to remit 50 per cent of profits.

Zimbabwe is committed to levelling the field, almost certainly this year which, with the eventual release of blocked funds, will stimulate increased investment activity by existing companiss. Portfolio investment was liberalised last year when foreign investors were allowed to trade on the Zimbabwe Stock Exchange. in the nine months since this reform took effect, foreigners have injected soms $80m into the market contributing to the 300 per cent surge in share prices over the past year.

All this is very different from



the 1980s when foreign direct investment averaged a mere $20m a year. Inflows have since accelerated markedly averaging $60m a year since 1990. Two big new projects are in the pipeline; the $225m BHP-Utah platinum mine at Chegutu and a proposed Hong Kong-financed airport hotel and casino close to Harare.

The Zimbabwe Investment Centre (ZIC), set up to facilitate and promote investment, approved 843 projects worth some Z$5.6bn ($1.4bn) between 1989 and 1993. Of these, 100 were foreign and a further 159 were joint-ventures, valued at $470m, though not all of this represented foreign inflows.

In the first quarter of 1994, a further 67 projects were approved, representing new investment of almost $200m, of which $63m was foreign or joint-venture.

Zimbabwe needs much more; the most disturbing aspect of the ZIC numbers is the number of jobs created. investment of some $800m in the last two and a half years has generated less than 35,000 new jobs.

With an annual net addition of about 200,000 school-leavers to the labour market, the implication is that the country needs to invest nearly $5bn annually, or 25 per cent more than its GDP, merely to peg unemployment at its present level of around 30 per cent. Clearly, that is not going to happen, implying a combination of higher levels of unemployment and enhanced reliance on the informal sector. Higher investment levels are also needed to kick-start the sluggish economy.

Since independence in 1980, real GDP growth has fallen behind the 3.1 per cent rate of population increase, expanding at 2.8 per cent annually. As a result real income per head is lower than at independence and 16 per cent below its peak of the mid-1970s. Assuming the economy can grow at a steady 5 per cent a year, it will take e decade to regain 1975 living standards.

Policy reform is a significant part of the solution, but weak commodity prices, adverse weather conditions, and regional political instability have left their mark on the economy. With commodity prices seemingly on the upturn and the regional political environment better than any time for over 30 years, investment prospects have brightened considerably.

Regional investment should improve with the political climate, but there are fears that invsstors, motivated as the International Finance Corporation notes, by market size more than anything else, will plump for South Africa's $112bn market rather than Zimbabwe's $4bn. For Pretoria's neighbours, it is a swings and roundabouts situation.

Market size, infrastructure and logistics dictate that a stable South Africa, accounting for more than 80 per cent of southern African GDP, will attract the lion's share of new investment.

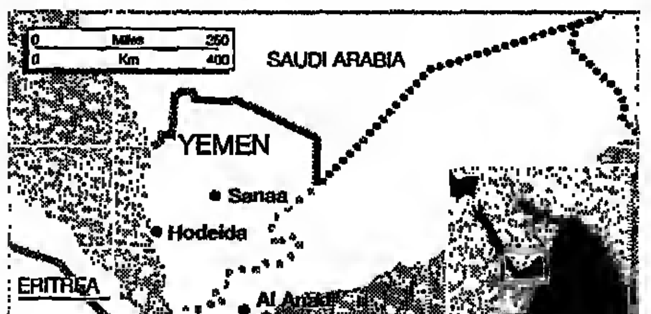
But Zimbabwe with its relatively efficient infrastructure, its plentiful cheap labour and close proximity to the South African hub of Pretoria Witwatersrand-Vereeniging, should be able to exploit new and different market opportunities.

For this to happen Zimbabwean business will have to rethink its strategy, seeking niche markets and going for joint-venture opportunities in alliances with South African business rather than risking head-on competition.

None of this will happen without continuing, and urgent, policy reform and a stronger commitment to an economy, that welcomes foreign capital and skills and facilitates cross-border commerce and investment.

Yemenis in battle for control of key airbase

By Roger Matthews in London and Robin Allen in Dubai



Fighting intensified in Yemen yesterday around the strategic southern airbase of al-Anad, 40km north of Aden, with northern forces again claiming victory and southern troops insisting that they retained control.

The battle for al-Anad could decide the fate of Aden, according to military analysts. Although the southern air force could deploy to other bases, the fall of al-Anad would open the way for a direct assault on Aden, or enable northern forces to lay siege to the city.

President Ali Abdullah Saleh would have to decide whether to use the threat posed to Aden as a bargaining lever with southern leaders, or face the inevitably high casualties resulting from an ettempt to take the city.

Southern aircraft were reported to have flown repeated sorties yesterday against northern troops on the approach to al-Anad. Captain Abdul Rahim Qassem, speaking from a new rear southern defence line 18km south of the base, claimed thet the northern forces were being held up outside al-Anad. "We bave control of the base. They have not entered," he said.

Southern military officials also said that fighting was raging on the Zingibar front, 55km north-east of Aden. Northern forces appeared to be preparing for an offensive from al-Anad and Zingibar.

A correspondent for Reuters reported southern soldiers as saying that the northern troops were attacking in waves. "They come like human waves. We spray them with our guns but they keep coming back. They look like as if they are drugged. They do not stop when we fire, they keep coming," said one soldier.

Northern shells were hitting areas 22km north of Aden, the closest so far to the city.

Arab League mediators said on their return to Cairo from Yemen that northern leaders had rejected their calls for a ceasefire and insisted that their southern rivals should surrender.

Mr Mohammad Said al-Bereqdar, the league's assistant secretary-general, said Mr Saleh opposed any ceasefire which allowed his southern opponents to regroup and reinforce their armies.

The north was also demanding the surrender of southern leader Ali Salem al-Baidh and seven of his senior officials.

The Arab League delegation had been unable to visit southern Yemen during its four-day visit to the country because of the fierce fighting which has raged since war broke out on May 4.

Christopher in first Jericho visit

By Julian Ozanne in Jericho

US Secretary of State Warren Christopher, on a Middle East peace shuttle, yesterday became the first world statesman to visit Jericho – seat of the newly created Palestinian autonomous area evacuated by Israel last week.

Mr Christopher's visit was clearly mads to demonstrate US support for the Palestinian self-rule deal: "One of the reasons I came here is to make it clear to our Palestinian friends that they are not alone in this endeavour and that we in the international community will stand with them as they make their historic transition."

In the blazing heat Palestinian security forces lined the roads of Mr Christopher's motorcade as an honour guard for the US secretary who spent much of the day trying to evoid being photographed in front of pictures of Mr Yassir Arafat, the Palestine Liberation Organisation chairman.

Most Palestinians in Jericho, however, shunned the Christopher visit preferring to flock to a gathering point near the Jordanian border crossing to welcome home Mr Jibril Rajoub, e hero in the West Bank and Mr Arafat's adviser on the occupied territories. Mr Rajoub, a 41-year-old veteran activist of Mr Arafat's Fatah faction, was allowed to cross the border with 20 other deportees yesterday after having spent six years in exile in Tunis and 17 years in Israeli prisons.

He will become the overall PLO security boss for the West Bank. Thousands of jubilant Palestinians, many from Mr Jibril's Hebron home, were in Jericho to greet him.

The days events were overshadowed as Palestinian extremists shot dead two Jewish settlers in the occupied West Bank and armed Israelis ignored Palestinian policemen and entered an ancient Jericho synagogue with their antomatic rifles.

The Islamic Resistance Hamas movement claimed responsibility for the attack in the West Bank less than 24 hours after armed Jewisb settlers and Israeli soldiers shot and wounded 18 Palestinians in Hebron, the flash point of Arab-Israeli violence.

Meanwhile, Israeli officials handed over daily administration of the Gaza Strip and Jericho to Palestinians yesterday putting 850,000 Arabs under self-rule for the first time in their history. The embryonic Palestinian self-rule authority took over 38 dspartments which bave control from health to taxation.

Deadline near for Clinton decision on trade status

Chinese PM attacks US over dissidents

By Tony Walker in Beijing

Prime Minister Li Peng of China has maintained Beijing's tough stance on human rights, accusing the US of giving undue weight to the views of a "tiny number" of dissident Chinese.

Mr Li told Mr Zbigniew Brzezinski, former US national security security adviser, that China resented interference in its internal affairs and would not yield to outside pressures.

"Foreign statesmen will surely make mistakes," bs said, "if they base their understanding of China merely on the words or views of a tiny number of Ghinese to the exclusion of the interests and wishes of all other Chinese people."

The Chinese official was speaking just weeks before a deadline for President Bill Clinton to decide whether to extend China's "most favoured nation" trading status in the US.

The administration last year called for "overall, significant improvement" in Beijing's human rights behaviour as e pre-condition for renewal of China's privileged trade access to the US market.

Mr Brzezinski, who was in charge of the 1978 negotiations leading to establishment of diplomatic relations between Washington and Beijing, was reported to be carrying a message to the Chinese leadership urging further concessions on buman rights before the 3 June MFN deadline.

Pressures are building on Mr Clinton from human rights groups and the US Congress to impose penalties on China. But Mr Clinton has indicated that he favours MFN renewal.

China, meanwhile, continues to exert pressure on its dissident community with further detentions and little sign that its most prominent political prisoner, Mr Wei Jingsheng, is about to be released.

Mr Wei, who served 14 years of a 15-year sentence for counter-revolutionary actions before his release last year, was detained in April and accused of "new crimes". His family fears that Mr Wei may be facing another long jail sentence.

China yssterday briefly detained leading student dissident Mr Wang Dan after he met e US television reporting team. He was released by Beijing police after being held for an hour.

Mr Wang was taken from his home after meeting reporters from the American NBC television network. His residence is under constant surveillance by Beijing's public security.

China, in its continuing game of "cat and mouse" with the Clinton administration over MFN, has recsntly released two high-profile dissidents on health grounds.

They were Wang Juntao and Chen Ziming, two of the so-called "black hands" behind the 1989 pro-democracy protests. These releases were seen as gestures to placate US human rights concerns.

LDP to try to unseat Japanese government

By William Dawkins in Tokyo

The likelihood of change of Japanese government this summer increased yesterday when the main opposition party confirmed it would seek to bring down ths minority administration.

Mr Yohei Kono, president of the opposition Liberal Democratic party, warned Prime Minister Tsutomu Hata he must resign or face a no-confidence vote as soon as the budget for this year clears parliament.

The budget, delayed by an LDP boycott and the power struggle unleashed by last month's resignation of Mr Morihiro Hosokawa, the former prime minister, is now expected to pass parliament by mid-July.

Mr Kono's warning suggests for the first time that e previously undecided LDP is ready for an election. Until yesterday, the Social Democratic party, the second largest opposition group, was the only main party to call for an early poll. The SDP hopes to regain some of the seats it lost in last July's election, while the LDP seeks e comeback, after the end last summer of its 38 years in power.

"You should be fully aware that you do not bave the mandate of the people. This abnormal state of affairs must be normalised," said Mr Kono yesterday.

The LDP and SDP together can easily outvote Mr Hata's five-party alliance. The government commands just over 190 votes in the 511-seat lower house. If be loses a no-confidence vote, Mr Hata must resign or call an election.

Machinery order pick-up adds to recovery hopes

By William Dawkins

A tentative sign of Japanese economic recovery emerged yesterday with a 10.3 per cent increase in machinery orders from February to April. The improvement suggests e three-year decline in capital investment by Japanese industry is coming to an end, the government's Economic Planning Agency said.

Private sector machinery orders fell by 0.2 per cent in April, compared with the same month last year, a sharp slowdown on the 8.9 per cent annualised decline reported in March.

This brings the growth in orders for the first quarter of this year to 6.6 per cent, from the final three months of 1993, well above government forecasts. The agency warns it expects a sharp 13 per cent fall in the current quarter, hut this does not change its view that the worst, for machinery orders, is over.

The same, however, cannot be said for corporate bankruptcies, which continue to rise, according to the latest monthly check by Teikoku Databank, e credit research agency.

The number of corporate collapses with debts of more than Y10m (£64,000) rose by 1.9 per cent to 1,176 last month, from April 1993, the 15th month when they have stood at above 1,000.

Separately, Japan's leading companies plan to reduce the number of new recruits next spring by 18.1 per cent, according to a survey of 723 employers by the Nihon Keizai Shimbun economic newspaper. That will the fourth consecutive annual decline.

Balaguer secures early poll lead

By Canute James in Kingston

President Joaquin Balaguer of the Dominican Republic took an early lead yesterday as counting continued from Monday's election, opening the prospect of a seventh term in office for the veteran leader.

With about one third of the 3.3m votes counted, Mr Balaguer's Social Christian Reform Party had 43 per cent, with the Dominican Liberation Party of Mr José Francieco Psña Gomez, on 41 per cent.

The count was eccompanied by charges of fraud and irregularities from the Dominican Liberation Party and others contesting the slection.

Mr Peña Gomez said yesterday he would ask for new elections in sevsral provinces where many people, most of whom he claimed were his party'e supporters, were unable to vote. The election was subject to "major fraud" perpetrated by the ruling party, he said. Reform Party officials yesterday dismissed the charges as "fiction."

Hundreds of thoueands of voters were prevented from casting ballots on Monday either because their voting cards were confiscated by the military and the police, or because their names were not on lists of voters.

Mr Peña Gomez, who is black, claimed that many of those prevented from voting were told that they were not Dominicans but illegal immigrants from neighbouring Haiti.

The elections commission extended voting by three hours on Monday night following the charges.

Public opinion polls before the election indicated a close win for Mr Peña Gomez, 54, a social democrat and a former mayor of the capital Santo Domingo. Reform Party officials always maintained Mr Balaguer, 87, would win.

Political tension was high yesterday as the votes wsre bsing counted. The army imposed an undeclared curfew in several cities following outbreaks of shooting.

Disgraced former mayor joins Washington race

By Jurek Martin in Washington

Mr Marion Barry will this weekend declare himself a candidate to be mayor of Washington, DC, the job he left in disgrace four years ago after being arrested for use of narcotics.

Mr Barry, who subsequently served a prison term, was re-elected to the city council in 1992 representing Washington's poorest district. He is given et least an outside chance of winning September's Democratic party primary, which is tantamount to victory in November since local Republicans are insignificant in number.

The likely field of local black leaders also includes Ms Sharon Pratt Kelly, the incumbent mayor, and Mr John Ray, an at-large city council member. There is no provision for a run-off election after the primary which means, as was Mr Barry's fortune in 1978, that the mayoralty can be won in an evenly divided three-person field with little more than one third of the vote.

Mayor Kelly is widely considered to have been a disappointment, especially by the city's whites, a majority of whom supported her in 1990. One recent city-wide poll found two-thirds believing she did not deserve a second term. She is blamed for failing to attack both the crime wave and the city's budgetary deficit, which leaves it on the verge of seeking federal assistance. Several senior aides have recently been fired or resigned.

Mr Ray is probably now rated the favourite, since he seems to have been the principal beneficiary of Ms Kelly's declining support. He is expected to run a less passive campaign than he did in 1990, when he sought to balance his appeal between blacks and whites and was upstaged by Ms Kelly's campaign to clean up the Barry mess.

Mr Barry's three terms, from 1978-90, could hardly have been more controversial, even before his demise. A well-known community and civil rights activist, he cut a flamboyant figure, preaching black pride and awarding city contracts to minority companies, but simultaneously alienating both the federal government and Congress, on whom Washington depends for about 20 per cent of its financial needs.

But his grassroots support in the overcrowded and run-down housing precincts remained strong, as witnessed by his easy council victory two years ago over an apparently formidable black female opponent. He claims now to be a reformed person, with a new marriage, and his drug addiction behind him.

Gen Raoul Cedras (l) and Jean-Claude Duperval of Army High Command at investiture of the cabinet of president Emile Jonassaint (r) Reuter, AP

Mr Robert Malval, Haiti'e acting prime minister, has denounced the country's military rulers after six months of silence, Canute James and agencies report from Kingston.

He called on Gen Raoul Cedras and his fellow officers, who have refused to bow to international pressure, to resign and allow the return of Mr Jean-Bertrand Aristide, the president who was overthrown and sent into exile almost three years ago. "Yon have locked our country in the darkness of night," an angry Mr Malval told Gen Cedras.

"The time has come for you to leave so that a new dawn may break for the Haitian people. Morally, yon are not worthy of the title of commander in chief of the armed forces of Haiti."

His attack followed the usurpation of his powers by Mr Emile Jonassaint, an 81-year-old judge installed by a small group of lawmakers as provisional president last week. Mr Joussaint appointed a cliqne of extreme right-wingers and nationalists to his cabinet on Monday.

In failing to name a premier, Mr Jonassaint assumed the duties of head of state and head of government. Separating those powers was the chief intent of Haiti's 1987 constitution, approved overwhelmingly by Haitians a year after they rose up to end the 29-year Dnvalier dictatorship.

Lucas pays $12m to settle US claim

By Paul Cheeseright

Lucas Industries, the British-based aerospace and motor components group, is to pay the US Defence Department $12m (£8m) to settle claims that it provided US forces with faulty equipment.

A settlement reached with the US Attorney's office in New York provides for Lucas not only to pay the money but also to admit guilt of falsifying the results of tests on certain of its products and to keep in place procedures to make certain there can can be no repetition of the claims.

This agreement, which Lucas said yesterday would bs placed before a federal court, brings to an end two years of FBI investigations. It removes the possibility of court proceedings against Lucas Aul, a US subsidiary of the British group.

The investigation sought to establish whether Lncas Aul supplied defective missile launching components and military radios which failed to meet specifications. The Components are used in Maverick ground-to-air missiles.

Mavericks were the cause of 16 Allisd deaths in two "friendly fire" incidents, on January 29 and February 26 1991, during the Gulf War. But the US authorities made clear there was no link between these deaths and the defective equipment.

Lucas acquired Aul in 1986. Many of the procedures for testing the components were in place before then. So were the Pentagon supply contracts. Lucas has been seeking to build up its US defence sales which are now worth about £100m a year.

Caribbean urged to continue reform

Canute James reviews the CDB report

Caribbean governments must continne to restructure their economies in order to deal with rapid changes in tha global environment, according to the annual report of the Caribbean Development Bank, published this week.

In a review of its members' economies, the bank which is based in Barbados, said that the medium-term prospects for Caribbean economies were not encouraging due to increased pressure on both the private and public sectors to become more open and more efficient in order to meet the demands of trade liberalisation.

Without sustained growth in the industrialised economies and changes in domestic economic policy, the Caribbean region can expect no better than the moderate leveis of growth which most countries in the region recorded last year, the bank cautioned.

The bank said that whilst some of its borrowing members recorded relatively high levels of growth last year, the majority turned in a disappointing performance "with growth remaining in the lower ranges." Unemployment rates stayed high and the fiscal situation of many governments remained tight.

Growth rates of between 7.5 per cent and 3.5 per cent in gross domestic product were recorded last year by some countries, including Guyana; the Cayman Islands and Belize, the bank reported. Lower than expected earnings from banana exports adversely affected growth in the Windward Islands of Dominica, Grenada, St Lucia and St Vincent, the report continued.

Jamaica recordsd low growth because of marginal expansion in bauxite and agricultural commodities, while Trinidad and Tobago's economy contracted because of the weak state of the international market for oil, the country's main export.

Tourism will be one of the first sectors to show improvement

"The resumption of economic growth in North America had a positiva impact on visitor arrivals in a number of member countries," the report noted. While most resort countries in the region benefited from the increase in stay over visitors and cruise ship calls last year, the industry in the Bahamas remained weak, the bank said.

The tourism sector will be among the first to reflect an improvement in the resumption of growth in the main markets, the CDB predicted.

Flnctuations in the dollar exchange rate led to a decline in banana production and exports, particularly from the Windward Islands. The industry was affected by changes in banana marketing arrangements in Europe, "which will at the outset provide increased access for lower cost Latin American fruit and eventually result in the phasing out of preferential market access from traditional countries," said the CDB.

Cumulative sugar production in the bank's members last year was 732,000 tonnes, three per cent less than 1992 production. The largest fall of 10 per cent was in Barbados, while the biggest absolute declins was in Jamaica where production fell 7,900 tonnes.

A fall in crude oil production in Trinidad and Tobago will continue, said the bank, "with the outlook for international prices not being particularly encouraging given the inability of Opec members to limit output to agreed production quotas, and given the likelihood of the eventual return of Iraqi production to world markets."

Weak international prices for aluminium depressed the mining and refining of bauxite in Jamaica and Guyana last year, the report noted.

The bank concluded that the region is likely to find increasing difficultly in obtaining external funding, citing the trend for traditional donors to now consider what they perceive as more pressing needs in eastern Europe and Africa.

Pact erodes tariff aid for Third World

By Frances Williams in Geneva

Tariff cuts agreed in the Uruguay Round of global trade talks will lead to big reductions in the value of special trade preferences for developing countries and erode their competitive advantage, according to the United Nations Conference on Trade and Development (Unctad).

A report to this week's meeting of Unctad's committee on preferences estimates that preferential tariff margins on imports will be cut by about 23 per cent in the European Union, 15 per cent in Japan and 9 per cent in the US.

Trade covered by the Generalised Syetem of Preferences (GSP) will shrink by some 17 per cent, because of new zero duties agreed in the Uruguay Round, to about $120bo (£80bn) in the three main trading groups.

The preferential share of exports from developing nations to preference-giving countries will drop from 39 to 32 per cent, Unctad predicts.

Though most developing countries will benefit from the general lowering of tariffs and other import barriers in the Uruguay Round, they are anxious to keep the advantages of trade preferences which help them compete with more efficient industrialised country producers.

Unctad has called for increased preferential margins and duty-free treatment for Third World goods following the Uruguay Round deal.

Preference-giving countries are also being urged to extend GSP benefits to farm products and textiles where import quotas will be scrapped or phased out under Uruguay Round accords.

Trade under the GSP rose almost 20 per cent in 1992 to $77bn and is thought to have increased further in 1993, Unctad says.

There are 16 different preferential schemes benefiting over 160 developing nations. Trade under these schemes has risen more rapidly than trade in general over the past 20 years.

However, developing countries have long complained that the GSP is too restricted in scope and operation. Only half dutiable exports by beneficiary countries are covered, and only half of these sctually receive GSP treatment.

US top venue for conferences

The US held its position as the world's leading venue for international conferences last year, with the UK replacing Spain in second place, said the International Congress and Convention Association, writes Michael Skapinker, Leisure Industries Correspondent.

The US had a 7.2 per cent share of international meetings with more than 100 participants in 1993.

The UK moved from 5th place in 1992 to second last year with 6.9 per cent. Germany was third with 6.3 per cent, up from fourth in 1992. France fell from third in 1992 to fourth last year with 5.6 per cent. Spain fell from second in 1992 to fifth with 4.9 per cent.

ABB in $100m German deal

Asea Brown Boveri, the Swiss-Swedish heavy engineering group, said it received an order valued at around $100m (£66m) to supply and install components for a residual waste incineration plant at Niehl, near Cologne in Germany, AP-DJ reports from Zurich.

The order was placed by L.C. Steinmueller of Gummersbach, the general contractors who are responsible for the turnkey delivery of the plant, the company said.

ABB said the plant, which is scheduled to start operating in 1997, would be run by AVG, a waste exploitation and disposal company based in Cologne.

Asia offers 'ride' for western exporters

By Victor Mallet in Singapore

Asia could form a powerful trade bloc against the European Union and members of the North American Free Trade Agreement if its goods were shunned by the two groups, Mr Goh Chok Tong, Singapore'e prime minister, said last night.

In a warning against protectionism, Mr Goh criticised western politicians and trade unionists who saw Asia's rapid economic expansion as a threat rather than an opportunity. He urged industrialised nations to "ride on the growth of Asia" by exporting high-technology and high-qnality goods.

Opening a conference on Asian business in Singapore, Mr Goh said that to block Asia's emerging economies, especially China, from world markets would force them to turn inwards, etunt their growth, lead to "a more aggressive and destabilising military posture", and threaten western assets in Asia.

Even a less confrontational western stance, with the EU looking inward and Nafta looking only sonthward, would force Asian countries to trade increasingly between themselves, Mr Goh said.

"Asia has the capital," he said. "It saves more than the rest of the world. Its growth will be slowed, but it will not be stopped. An Asian trade bloc is not an option of choice. But it is a viable option."

Mr Goh joined the chorus of Asian leaders who have condemned western attempts to curb imports from low-wage countries by linking workers' rights to trade negotiations.

Among his few words of comfort for the west was the assertion that emerging Asian economies were unlikely to run the sort of trade surpluses seen in Japan and Taiwan, because countries encb as China and India were not suppressing consumer demand as Japan did in the early stages of development. By the end of the decade, he said, east Asia conld have an annual current account deficit of $50bn.

Wiser US to meet chastened Japan

Nancy Dunne and Michiyo Nakamoto preview the resumption of trade talks

It is an older, perhaps wiser, Clinton administration awaiting the arrival tomorrow of e somewhat chastened Japanese trade team whose mission it is to help salvage the US-Japan trade relationship.

Both sides have had more than three months to reflect on the consequences of the breakdown of bilateral talks. The mood is elightly more optimistic than when talks broke down in February at the summit between President Bill Clinton and Mr Morihiro Hosokawa, the former Japanese prime minister, over Washington'e insistence on specific indicators to mark the progress of market-opening deals.

Yet even at this stage, there are few signs that substantial progress can be made.

Mr Mickey Kantor, the US trade representative, says he has been promised a new plan by Mr Tsutomu Hata, Japan's new prime minister, which would address the question of "objective criteria" for measuring market access.

"We have passed the ideological iseues," said another administration official. "They know we don't want managed trade. The issue now is can we find a way to negotiate around reality."

In the sombre halls of Tokyo's ministry of international trade and industry, officials have allowed themselves to be encouraged. "The US is sending positive signals in that its rhetoric is no longer ss heated as it used to be," says one trade official. "If we are realistic, and don't set the hurdles too high from the start, then we may be able to discuss what is needed in order to begin talks on restarting the negotiations."

The US and Japan each have their own reasons for needing to find a way forward. Both have been jolted by the tumbling dollar and climbing yen and Japan remains mired in recession.

As Japanese trade officials admit, recent market turmoil has highlighted the negative impact that the chill between Washington and Tokyo has on the markets and on the rest of the world.

"We realise thet our actions have an impact on the markets and that for two of the biggest economies in the world to continue to have strained relations is not a good situation," said one.

Japanese bureaucrats are also sensitive to criticism that their intransigence over quantitative indicators of progress in opening Japan's markets to foreign products and services might heve been a factor in pushing things to the brink.

Next time round, they say, "we don't intend to take an inflexible stance".

President Clinton is being criticised at home by the right and the left who say he is running messy and contradictory foreign and trade policies. Japan's Asian neighbours have expressed concern about the uncertainty. Trading partners in Europe are also worried.

Although neither side can afford another failure, there is little evidence that either will sharply change course. What may be under way is a shift in emphasis from the disputed numerical "indicators" to an emphasis on macro-economics.

The US set out in April a basis for restarting the informal talks. It wants a commitment by Tokyo to a relatively long period of consumer-led growth and three macro-economic steps: continued income tax reductions and public investment; increased access for competitive foreign products and services; and objective criteria.

For Japan, progress on the first point, along lines that would satisfy the US, is politically difficult. While the trade ministry believes that more should be done on the macro-economic side to stimulate the economy and thereby trade, this will require a difficult decision from a government that is fighting for its survival.

Further tax cuts without a guarantee that the revenue shortfall can be made up for through alternative taxes, is strongly objected to by the ministry of finance, which wields enormous power over both ths political establishment and bureaucracy.

But raising Japan's consumption tax to make up for that shortfall, a scheme favoured by the finance ministry and some politicians, is strongly opposed by the Social Dsmocratic party whoss co-operation is crucial for the minority government.

Dr Paula Stern, a former adviser to President Clinton, said the administration would probably get concessions on sectoral deals and numerical targets. Washington should be playing to those forces in Japan which have wanted faster growth and deregulation, she added.

But despite Miti officials' claims of flexibility, there is unlikely to be any substantial change in their opposition to numerical targets for measuring market-opening. "There are things that we can give on and things we cannot give on."

Deregulation is perhaps the key area on which the two sides can make progress. It is central to the trade ministry's plans for taking the talks forward. The Japanese government will announce by the end of June specific plans for deregulating the country'e markets to improve access and stimulate the economy. It hopes these measures will convince the US that it is serious about opening its markets further.

What needs to be done is to leave the rhetoric behind and look at what is realistically feasible, suggests a Japanese trade official. "The US knows what Japan fears. We know their frustrations," he says. The key to progress lies in whether each side can "constructively explore a way forward that takes these concerns and frustrations into consideration."

Japan should invest more in domestic public infrastructure to prepare for its ageing population and rednce the country'e widely criticised current account surplus, according to the government's 1994 white paper on trade, reports Michiyo Nakamoto from Tokyo.

Japan'e current account surplus has largely been recycled overseas, but given the rise in Japan'e elderly population, the surplus should be invested at home to create the national assets necessary to enpport future public life, the white paper points ont.

By 2025, the number of Japanese over 65 compared with those between 15 and 64 will rise to 43.2 per cent against 17.3 per cent in 1990, says the white paper, published annually by the Ministry of International Trade and Industry.

Public infrastructure investment in Japan is still very low. Sewage penetration, for example, is lower in Japan than in Singapore, which invests 41 per cent of GDP at home.

The white paper calls for greater investment in housing, public infrastructure, including information infrastructure and in service industries. Increased housing investment, in particular, should contribute significantly to cutting the gap between savings and investments. It also points out that price differentials between Japan and the rest of the world stem not only from differences in quality and distribution costs but from different business practices.

This has kept prices high even as the yen's value has been appreciating, the white paper says, forcing Japanese companies to move manufacturing overseas.

Scotch whisky producers take on Tokyo

By Paul Abrahams in Tokyo

Five centuries after their first skirmish with the Scottish exchequer, Scotch manufacturers are still struggling with the tax man, but their opponent now is Japan's finance ministry.

Mr Hugh Morison, director general of the Scotch Whisky Association, is in Tokyo to lobby against what whisky makers say is a discriminatory tax regime.

Whisky, like other imported spirits such as bourbon and cognac, is taxed up to six times higher than shochu, a domestic drink made from sweet potato which controls about 67 per cent of the Japanese spirit market.

"This discrimination is in spite of a 1987 ruling that declared that Japan's liquor tax system contravened Gatt. The findings were accepted by the Japanese government in 1989, but little has changed since then," he says.

Japan is the world's fourth largest Scotch whisky export market after the US, France and Spain. But imported spirits account for about 8 per cent of the Japanese market, compared with an average of 30 per cent in other industrialised democracies.

"This is a pretty blatant breach of a Gatt ruling by one of the world's main trading nations. It's the worst case of discrimination in any of the Scotch export markets," says Mr Morison.

Japan argues that shochn is part of the national culture because it is made by small rural distilleries across Japan. But Scotch makers insist that more than half of all ehochu is made by six large industrial groups involved in other activities such as pharmaceuticals.

Japan says its taxation system is moving in ths right direction. Since 1989, the difference between the tax on whisky and shochu koh, a down-market version, has fallen from a ratio of 1:16 to 1:5, and dropped to 1:4 under rules introduced on May 1.

Scotch whisky sales have done particularly badly during Japan's worst post-war recession. Sales in Japan fell 22 per cent last year from £178m in 1992 to £139m, while volume dropped 13 per cent from 18.5m litres of pure alcohol to 16.2m litres.

Mr Morison says the tax distortions have meant Japanese consumers switched to lower cost products such as shochu whose sales ended a five-year decline in 1992, rising 4.4 per cent, and 5.5 per cent in the first half of last year.

CBI chief in scathing attack on Brussels

By Gillian Tett

The outgoing president of the Confederation of the British Industry employers' organisation yesterday delivered a blistering attack on the European Commission, claiming that Brussels was hampering UK business interests by excessive regulation and out-dated "fifties-style" policies.

In a clarion call to the UK Euro-sceptics, Sir Michael Angus accused the commission of ignoring the views of European businessmen, and called on the UK government to "take up the cudgels" of industry.

"Doubts have once again begun to set in as to whether the community is capable of adopting an agenda that makes a positive contribution to the ability of businesses to face intense global pressures," he said.

If European legislators introduced any more anti-competitive initiatives they should simply "go into a dark room, lie down, and keep taking the tablets," he quipped, as he spoke to the CBI's annual dinner.

The unusually provocative speech, which marks the swan-song of Sir Michael's two-year term as CBI president, cited five main areas where the commission had apparently failed to listen to business views.

The first was the white paper on competitiveness and growth, drawn up by Mr Jacques Delors, commission president, last year. This had had a "disappointingly thin" follow-up, Sir Michael said. But when he had tried to raise these criticisms with Mr Padraig Flynn, social affairs commissioner, he had been shocked by Mr Flynn's "outdated" focus on industrial relations.

"You don't fish in the fifties to address the issues of the nineties," Sir Michael said, accusing Mr Flynn of using language that had not been heard "since Harold Wilson's time".

The second target was the green paper on social policy, which was accused of paying too little attention on the task of getting Europe's 20m unemployed back to work.

The commission's attempts to introduce the European Committee directive on employee information and consultation provided another bone of contention – the directive would erode the competitiveness of European companies and leave US businessmen "chortling".

Fourthly, the proliferation of anti-competitive state aids, was undermining the European industry, Sir Michael said. In an attack that refrained from mentioning that the UK itself had recently won permission for large state aids to a Belfast textile factory, he accused the commission of undermining competitive policy in areas where the UK was strongest – the airline industry, steel sector, telecommunications and energy.

Finally, Sir Michael concluded, the commission was failing to get to grips with its own spending policy, producing a "dismal catalogue of fraud and waste".

Policy rift with Bank denied by chancellor

By Peter Norman, Economics Editor

Mr Kenneth Clarke, chancellor, last night sought to quash suggestions that he and Mr Eddie George, governor of the Bank of England, differed on policy, asserting that they "share the same aim of low inflation and sound money".

Stressing his belief in a "business-friendly government", Mr Clarke said he would continue to set fiscal and monetary policy "as toughly and decisively as I have to" with the aim of "low inflation on a permanent basis and healthy public finances".

Addressing the annual dinner of the Confederation of British Industry employers' organisation, he admitted the government had a political problem because the UK economy was recovering "without a feelgood factor".

But, using words that echoed those of Mr George in a speech last week, he said: "Too many people still hanker after the go-go growth of living standards they enjoyed in the years of boom. Well, this chancellor does not want a boom because boom gets followed by bust."

In a move to counter reports of differences with the governor over interest rates and Mr George's hawkish anti-inflation stance, Mr Clarke said he remained firmly committed to keeping underlying inflation in the 1 per cent to 4 per cent band and bringing it within the lower part of the band by the end of this parliament.

He had, he said, allowed the Bank to publish its own quarterly inflation report and insisted on the publication of genuine minutes of his monthly monetary meetings with Mr George to improve the credibility of policy.

Stories of differences with Mr George were "a little coloured", he said.

Britain's low inflation level had been hard won and "the governor and I are equally determined that it should not be jeopardised by any lack of monetary discipline in the upturn," Mr Clarke said. The government remained "absolutely resolute" in its determination to control public spending and cut public borrowing, he added. "Tax cutting will come on to the agenda again but only we have got the other things right."

The chancellor also said the UK should not lose self confidence over Europe, claiming that Britain's improved economic performance could win influence and help the government in its aim of creating a European Union that is good for UK industry and entrepreneurship.

Horse-drawn drays taking part in the independent brewers' procession at Dover seafront yesterday Picture: Tony Andrews

Brewers in a froth over beer imports

By Neil Buckley

Horse-drawn and steam-driven brewery drays converged on the seafront in Dover yesterday, in a protest by Independent Family Brewers of Britain.

The organisation, which includes some of the oldest UK brewers, was highlighting the threat posed to traditional beers and pubs by cheap imports of beer from continental Europe, where excise duties are much lower than in the UK.

The Brewers and Licensed Retailers' Association estimates 1.25m barrels were imported last year – equal to the total sales of 4,500 pubs. But Sir Paul Nicholson, chairman of Vaux, the Sunderland brewery, recently put the total even higher, at 2m barrels.

Including wines and spirits, the total value of alcohol imports from continental Europe last year is estimated at more than £1bn, costing the Treasury £470m in lost duties and VAT.

Brewers and drinks manufacturers say many cross-channel travellers are bringing in far more drink than they could consume themselves – in contravention of new rules which were introduced with the advent of the single European market last year.

They are calling for a reduction in the UK rate of excise to encourage British consumers to buy their alcohol at home, and for tougher action from Customs and Excise to stem the "bootleg" trade.

Britain in brief

Missile price may rise, MPs warn

The UK should speed up purchases of US nuclear missiles for its Trident submarines because the cost may rise sharply, the House of Commons Defence Committee said yesterday.

The government has ordered 44 of the missiles and has said it will buy about 24 more over the next four to six years. The committee warns that the unit cost of missiles sold to Britain will rise sharply if the US administration yields to congressional pressure and scales back its own procurement. While the UK government had already added £80m to its estimate for missile costs, that could prove insufficient if this summer's US budget calls for a reduction of missile purchases by the US Navy, and the price consequently rises.

Concerns hit pension sales

The number of people taking out single premium personal pension policies fell sharply by more than one-third in the first quarter of this year compared with the first three months of 1993. Figures from the Association of British Insurers suggest that widespread concern about the possible mis-selling of personal pensions has hit sales of pension transfers.

Privatisation benefits queried

Privatisation did not significantly improve the productivity growth of most electricity distribution companies in England and Wales, the independent Centre for Study of Regulated Industries says.

That view conflicts with that of the industry, which says efficiency improvements are one of the main benefits of privatisation. The centre's report appears ahead of a review by the industry regulator into the distribution businesses which will set price controls. The report says the regulatory regime set up at privatisation was probably too lenient and did not offer sufficient incentives to improve efficiency.

Bidders named for poster arm

Four bidders for London Transport Advertising, the poster subsidiary with a turnover of about £23m, have been shortlisted: a management and employee buy-out; More O'Ferrall, the UK's largest outdoor advertising contractor; a consortium led by Transportation Displays, the US transport advertising company; a consortium led by Primesight, the UK poster company and Giraudy, France's largest outdoor advertising company.

Docklands buyer found

South Quay, a large part-finished office building opposite Canary Wharf in London's Docklands, is believed to have been sold to an overseas buyer for about £7m, a tenth of its cost. The 360,000 sq ft development went into receivership in May 1992.

Acquisition spending falls

The value of acquisitions in the UK fell by 5 per cent in the first quarter of the year.

Expenditure on acquisitions fell from £2.8bn in the final quarter of last year to £2.7bn in the first three months of 1994, according to the Central Statistical Office. The number of UK acquisitions by industrial and commercial companies rose slightly between the two periods, from 164 to 176.

Cash expenditure on acquisitions accounted for 46 per cent of the total, down by 87 per cent, with the remainder coming from issues of ordinary shares.

Braer report cracks down on ship safety

By Charles Batchelor, Transport Correspondent

A call for urgent action to improve the safety of ships and reduce the danger of pollution of the seas was made in an official report published yesterday.

Lord Donaldson's inquiry into the prevention of shipping pollution, launched in the wake of the sinking of the oil tanker Braer off the Shetlands, has produced more than 100 recommendations Improved safety procedures.

The Braer, a Liberian-registered tanker, spilled 85,000 tonnes of Norwegian oil into the sea off Shetland in January 1993 after seawater entered its diesel tanks and caused engine failure.

The report, Safar Ships, Cleaner Seas, finds "a pressing need for the UK to take new initiatives internationally, regionally and nationally".

In response Mr John MacGregor, transport secretary, announced plans to shame shipowners into raising standards by publishing details of sub-standard ships which call at UK ports. A monthly list will reveal the names of the detained vessels, their defects, flags and owners.

Lord Donaldson and his inquiry team said they "were surprised and alarmed at tha number of potentially serious incidents which took place during the course of the inquiry. Although none resulted in serious pollution, it was largely a matter of chance that they did not."

The report identified human failings as the cause of virtually all accidental pollution from ships and said that the best preventative measure was to improve the standards of maintenance and operation.

Its specific recommendations include:

- A tougher system for inspecting ships when they arriva in port. They would have to give 48 hours notice of arrival at European ports, where they would be given a thorough inspection.
- An increase in the number of tugs around the UK coastline, which can respond quickly to emergencies.
- Improved sharing of information between charterers, insurers, shipping agents and regulators on the standards of different ships and fleets. This would mean substandard ships would have difficulty finding cargoes and increasa their insurance premiums.
- Better identification of ships at sea by painting their international radio call sign on their sides and decks. Ultimately ships should have carry transponders.
- The creation of Marine Environmental High Risk Areas, a small number of areas which were both environmentally sensitive and also on busy shipping routes.

The inquiry, one of the first to attempt to cost its recommendations, said these measures would cost about £10m with the bill to be shared by the government and shipowners.

Numast, the ships' officers union, said it was concerned that planned cutbacks at the department of transport's marine safety agency would undermine tbe inquiry's recommendations.

Editorial Comment, Page 13

Lloyd's is still shivering from US exposure

Peter Middleton, Lloyd's chief executive (left) and chairman David Rowland yesterday. Mr Rowland said restructuring had led to 'leaner, fitter' surviving underwriters Picture: Trevor Humphries

Names remain under pressure despite some encouraging signs, writes Richard Lapper

Lloyd's of London has done its best to soften the impact of its 1991 losses on the Names, whose assets have traditionally supported the market.

Nevertheless – despite some encouraging signs – yesterday's figures also provide evidence of some worrying trends, especially in relation to the market's exposure to US asbestos and pollution claims.

The identification of a substantial "double count" in both the 1991 and 1990 results is probably tha most welcome news for Names – £533m of the 1991 loss and £596m of its 1990 loss has been counted twice, reducing losses for the two years from £5.4bn to £4.3bn respectively.

Approximately £268m of the 1991 "donble count" has emerged on errors and omissions policies, which cover agents against legal awards for negligence.

The remainder, some £265m, has occurred on personal stop loss – a personal reinsurance policy bought by Lloyd's Names – and estate protection plans – policies which cover the liabilities of deceased Names).

Lloyd's is also holding out the prospect of further reductions as it seeks to eliminate other forms of "double counting". These include the losses on catastrophe reinsurance syndicates, which specialised in so-called "spiral" business, covering the high level risks of other Lloyd's syndicates and companies.

Mr Peter Middleton, chief executive, said: "We've got to get to grips with dual notification of claims. Wa think there is quite a lot going on which we have to get a handle on."

Other positive signs include pledges to accelerate tax recoveries and payments of stop loss policies.

Lloyd's is also holding out the prospect of jam tomorrow for Names, following increases in rates. Mr David Rowland, chairman, said recent restructuring at Lloyd's had resulted in "a much leaner, fitter generation of surviving underwriters.

"It is encouraging to note that nearly two thirds of the capacity in the Lloyd's of 1994 is in tha hands of syndicates which made good profits in 1991".

Confidence is so great in this respect that tha market is again allowing Names to borrow a percentage of profits from the current year of account – an amount equal to 3 per cent of their premium income limit – to meet past losses.

Additionally, syndicate managers are being encouraged to delay cash calls on Names wherever possible.

From the market'a point of view, agents and underwriters can take comfort from indications that the 1991 loss will prove to be more widely spread than in recent years. Mr Rowland said this "makes the possibility of recovery easier than if it were concentrated on fewer heads."

Members of syndicates specialising in catastrophe reinsurance were hit by claims from disasters such as Hurricane Hugo in the Caribbean and the European winter storms of 1990, have borne the brunt of the 1989 and 1990 losses.

In 1991 the marine market, which was heavily exposed to catastrophe business, reduced its losses for the year by about 50 per cent to £452m ($892.9m), for example.

But even though Lloyd's may be beginning to emerge from its immediate problems, the legacy of past involvement in the US, where syndicates were leading underwriters of liability business, still casts a shadow over its prospects.

An increase in reserves for years prior to 1991 – mainly it seems from asbestos, pollution and other health-related claims – was the "single largest factor in the result", explained Mr Rowland.

Increasing its reserves for years of account prior to 1991 by £1,042m, Lloyd's explained that claims from "asbestos property damage", which involves property owners claiming for the cost of removing asbestos from their buildings, were "coming in quicker than expected".

In addition there had been a "ballooning" of settlements on "asbestos bodily injury", which arise when victims of asbestos-related diseases sue for damages.

Uncertainty over the avolution of these claims has led to a rise in the number of syndicates which have been unabla to close their accounts, with the number of "open years of account" rising from 162 at the end of 1991 to 317 at the the end of 1992 and 478 at the end of 1993.

Lloyd's stresses that it is well-reserved, especially in comparison to US insurers, to meet these claims.

It is confident that its plans to establish NewCo, a reinsurance company into which all business underwritten before 1986 will be transferred, will prove to be successful.

There is optimism too, about the prospects of a reform to the so-called "superfund" laws, under which tha US federal government can order business to clean-up contaminated land sites.

Names, who face cash calls of between £1.6bn and £1.7bn this year, can only hope that such optimism is well-founded.

Parallel Ecu badly needed by business says think-tank

By Gillian Tett

The Ecu should be used as a parallel currency, to allow business to deal in a single tender across Europe, a paper by a leading right-wing UK think tank argues today.

Published by the Institute of Economic Affairs, it claims that a parallel Ecu is badly needed by business given that monetary union has receded to a distant dream.

Coming from a think-tank which once influenced Mrs Margaret Thatcher, former prime minister and arch Eurosceptic, the analysis may surprise some Conservatives.

The paper's authors, who have expressed these opinions before, stress there are now powerful economic reasons for a united, parallel Ecu, irrespective of political rhetoric.

The present kaleidoscope of national currencies has been calculated to cost European business some Ecu15bn, the paper says, with 55 per cent of companies agreeing that savings from a single currency could exceed 1.5 per cent of turnover.

Recent European Commission research suggests that many businesses are already using the existing abstract Ecu measure in their transactions, with the Ecu bond market the fifth largest in Europe.

A parallel currency need not entail any loss of political sovereignty, the paper claims.

The key to their proposals is a "basket" Ecu, compiled from a weighted average of community currencies.

That would require only minimal prior political agreement to introduce or manage, they argue, noting that notes and coins could be issued by national banks or even private currency boards, instead of the European Monetary Institute.

The Road to Monetary Union Revisited; by John Chown, Geoffrey E Wood and Massimo Beber. The Institute of Economic Affoirs, 2 Lord North Street, London. SW1P 3LB.

Savings-GDP ratio at lowest since 1945

By Gillian Tett

The ratio of savings to gross domestic product in the UK fell to its lowest level since the second world war last year, threatening to undermine hopes of an investment-lead recovery, a new economic study warns.

The study, by Mr Peter Warburton and Mr Nigel Sedgley, economists with Robert Fleming Security, calculates that the level of UK savings last year was only 15 per cent of the total GDP figure, largely due to public sector debt.

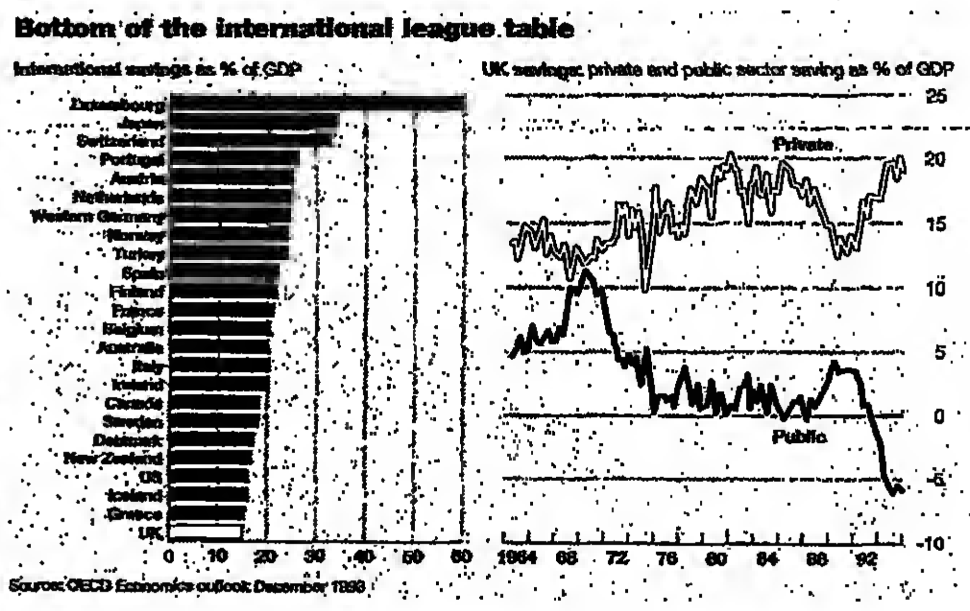
That proportion leaves the UK at the bottom of the 24-nation OECD league table for national savings ratios. With the latest public sector borrowing requirement figures due to be released today, this debt seems set to seriously undermine the hoped-for recovery in fixed investment, the study warns.

"The national savings figure does not get a lot of attention. But such a slow national savings ratio is a big drain and big constraint," said Mr Warburton.

He points out that the problem is almost entirely due to public sector debt, rather than low levels of private savings, which have started to pick up in recent months.

With the Treasury already engaged in a review of savings and flow of funds, officials are insisting that the government is now making vigorous attempts to reduce the public sector debt and point to the recent undershoot in the Public Sector Borrowing Requirement as evidence of this.

Bottom of the international league table



Source: OECD Economic outlook December 1993

Waste swap shop

Thousands of tonnes of industrial waste that would otherwise have been dumped is being recycled, thanks to a small UK company, Waste Exchange Services, based in Stockton-on-Tees. James Donaldson, head of WES, brings together waste-producers and companies that can use the waste. He expects to have arranged uses for 30,000 tonnes a year soon, saving industry an estimated £500,000. His clients include BP, National Power and ICI.

Donaldson says waste is only valuable if someone within a reasonable distance can use it, and the deal helps the waste provider and the user. He has built up a database of 1,500 companies offering or able to use waste and publishes a catalogue listing materials wanted or on offer. He is also raising money from outside investors to develop new processes.

One of his most innovative projects is the world's first plant for recycling the silica gel used to keep electronic equipment dry. He also sent 50 tonnes of stainless steel rings discarded by an oil refinery to a chemical company that was upgrading its process towers. Ammonium fluoride intended, but not suitable, for the electronics industry went to a metals company. A textile factory is producing sulphate of ammonia fertiliser from the absorption of its ammonia emissions in sulphuric acid. Chemical waste is used to make cement. Previously unwanted lead oxide dust from British Steel goes to a lead recycler. Selenium from old photocopier drums goes into metal alloys.

Donaldson used to be a chemical engineer for Davy McKee. He set up his own company when ICI asked him to design a recycling plant. The ICI contract gave him the cash to get going. He now charges 25 per cent of first-year savings from his exchange deals, and hopes turnover will exceed £100,000 this year.

David Spark

Eco-design on the line

Hugh Aldersey-Williams considers how telephone companies are tapping into green issues

Telephone companies have long trumpeted the virtues of communication. Persuading people to dial more numbers helps to boost revenues. Now, however, they are starting to latch on to the environmental arguments for increased phone use.

At a conference held by the Royal Society of Arts, senior managers in the industry agreed on a number of actions, including the more aggressiva promotion of videoconferencing and telecommuting as a means to cut down on environmentally damaging business travel.

Delegates resolved to build on the industry's "clean" image to contribute more to the debate on sustainable development. Their first action will be to issue a joint global environmental policy statement.

"The telecommunications sector is going to be critical in achieving [environmental] sustainability," says Braden Allenby, a research vice-president at AT&T in the US. "It is the ethical responsibility of our industry to address these issues."

The new emphasis could have profound implications for the transport and travel industries.

Although telecommunications is not perceived as a leading polluter, manufacturers also announced their intention to improve the environmental qualities of their products.

"Those companies which address environmental criteria at the design stage are likely to be the ones that emerge with a competitive edge," says Colin Hicks, head of environment and energy technologies at Britain's Department of Trade and Industry. British Telecommunications has given informal indications that it may take the lead in producing a flagship "green" telephone product.

The RSA conference was intended as the first in a series of environmental design workshops covering "eco-design" in various industries; future seminars may cover white goods, office products, transport and building design.

Telecommunications is not, perhaps, the most obvious sector to pick for a first outing. People buy comparatively few phones, which are, in any case, small objects. In use, the equipment accounts for a scant 1.2 per cent of the UK's energy consumption, according to figures from BT.

In 1992, BT collected 2.9m telephones under its recycling scheme, but complete disassembly and recycling of these products is not yet possible.

Products designed to be taken apart and made of materials that could be recycled more efficiently than the present hard-moulded plastic could streamline the process, possibly transforming what is currently a cost into a modest profit, according to David Mercer of the BT design unit. In addition, telephones that work, but which users have reported as broken – known in the trade as "fault-not-found" – currently find their way into this recycling stream rather than being rescued for resale and re-use.

The fast growth of this sector is another reason for considering its environmental impact now. The volume of electronic data communication is forecast by BT to multiply a thousand-fold in the first half of the next century, although advances in technology should ensure that its environmental effect does not increase commensurately.

Telephones and related products are well suited for snap-together plastic components that assist disassembly. Moulded eco-labels, like those widely used in packaging, could also be incorporated at the design stage, although it is not currently possible to eliminate all toxic materials and processes such as the use of solders and solvents.

Telefónica, the Spanish telecommunications monopoly, is exploring the possibility of a questionnaire that will require its suppliers to state – and prove – the environmental impact of their parts and materials.

In order to work at the pace required in day-to-day business, the questionnaire would invite respondents to fill in simple "figures of merit" on a check-list of materials and procedures.

These figures would be weighted according to the amount of material or processing and then added, with scores for more general questions about a supplier's environmental policies, to arrive at a total figure.

Such a procedure is more flexible than relying on standards which, because of both rapid advances in communications technology and changing views about relative environmental merits of particular materials, are often out of date by the time they are published.

The scorecard approach also means that designers are able to spend less time attempting the confusing task of weighing the relative environmental merits of materials and components that they might use.

The method could he taken a stage further, bslieves AT&T's Allenby. Rather than attempting to turn every designer into an environment specialist, it would be possible to incorporate the data on materials into computer-aided design software so the most appropriate choice is made automatically for the task in hand.

The svolution of such design methods means that giving greater consideration to the environment need not be an added cost. Such scrutiny of design, manufacture and reclamation processes can actually lead to unexpected savings, as Dutch companies found out through a year-long environmental manufacturing project.

Hans van Weenen of the UN Environment Programme's Workshop for Sustainable Product Development in Amsterdam, said they made savings in both materials and energy costs of between 30 and 50 per cent across a wide range of product manufacturing, including office chairs, coffee-makers and car dashboards.

But perhaps the greatest potential for telecommunications companies lies in exploiting the relative environmental benefit of their services. The energy used in flying to New York and back is equivalent to five weeks on the telephone, according to Graham Davies, BT's head of corporate research. (He omitted to say, however, that such a call would cost around £20,000, enough to fund a fairly stylish trip.)

More telecommuting would bring cuts in transport use. There would also be a potential knock-on effect as telecommuters rediscovered the joys of more local amenities, feels Stephen Potter of the Open University's technology faculty, thus cutting the length of many other journeys as well as reducing the number of trips to the office.

Iain Simpson looks at Hanoi's complex recycling network

Survival in scrap metal suburb

Despite its low level of economic development, the Vietnamese capital Hanoi has a sophisticated network for waste re-use and recycling. From individual rubbish collectors to large industrial plants, more than one third of the hundreds of tonnes of waste produced in Hanoi every day is re-cycled.

In more prosperous western countries, recycled paper and glass products are popular and fashionable. In poorer countries like Vietnam, where thousands of people make their living by collecting and selling paper, plastic, glass and metal, recycling is a necessity and a part of daily life.

At a junk yard on the outskirts of Hanoi, workers dismantle old trucks and sort through heaps of scrap metal. Different grades are sold on to be melted down and re-used as pipes and reinforcement bars.

Collecting scrap metal is a risky business in a country devastated by 20 years of war

The scrap metal trade is at the more lucrative end of Vietnam's recycling industry. Throughout the country, people collect discarded metal objects and bring them to places like the suburb of O Cho Dua to sell to the dealers' yards.

Collecting scrap metal is a risky business in a country devastated by 20 years of war. In a village outside Hanoi, a pair of bomb casings has been turned into gateposts, but every year dozens of people are injured and a few killed when they try to move unexploded bombs for sale as scrap metal.

In O Cho Dua, the recycled scrap is turned into building materials. Old reinforcement bars are beaten back into shape and newly-delivered tubes made from recycled waste are welded together, covered in plastic, assembled and sold as shelving in the city's roadside furniture shops.

Along the streets of the capital, there is a well-organised system for collecting rubbish. Dozens of small, three-wheeled carts do their rounds throughout the day, clearing up waste. When the carts are full, they are emptied into large piles where scavengers pick out anything with a resale value.

Elsewhere in Hanoi, old women go from door to door buying old bottles, jars, plastic and paper for a few cents. When one of them has a full load, they head for one of the hundreds of junk shops.

These traders are the next link in the recycling chain. They buy piles of cardboard, baskets of bottles or bags full of scrap metal, which they keep until they have enough to sell on to a bigger dealer or factory. All this waste will then be either sold for re-use or melted down and turned into something new.

As well as the scrap metal suburb, there are other areas around Hanoi that specialise in waste recycling. One is known as "plastic village" because almost all of its inhabitants make their living from collecting and selling plastic waste.

Outside one house is a foul heap of rotting plastic. The owner of the house says he makes good money by storing old plastic and then selling it on to a recycling plant. One of these small factories will make the plastic into soles for plastic sandals or melt it down to produce roofing sheets for the city's booming construction industry.

Some of the better quality waste is simply sold for re-use. Plastic bottles and glass jars are sold for a couple of cents for domestic use or are taken back to the factory and refilled. There is even some cross-border recycling. Empty bottles of Chinese beer are collected and taken north across the border to be refilled.

Through a combination of poverty and enterprise, not much goes to waste in Hanoi and instead of being burned or dumped at an expensive land-fill site, much of the city's rubbish is put back to work.

PEOPLE

Hong Kong billionaire joins Standard Chartered's board

Standard Chartered, the international banking group recovering after several years in the doldrums, has appointed Ronnia Chan, 43, one of Hong Kong's wealthiest property developers, as a non-executive director.

Chan, a US citizen who lives in Hong Kong, is the first of two new non-executives who are being recruited from a part of the world which produces the bulk of the group's profits. Patrick Gillam, who took over as chairman a year ago, is keen to reshape his UK-orientated board and make it more representative of a region which should provida the group with its greatest growth over the next few years.

Apart from recruiting another director from the Asia Pacific, the group plans to hold two board meetings in the region every year. Chan's appointment helps fill a gap on the board left by the recent retirement of several non-executive directors: Robin Baillie, Bill Brown, John Craig and Geoffrey Williams.

Chan, a US citizen who has an MBA from the University of Southern California, is well known to Standard Chartered. He is chairman of the Hang Lung Davelopment Company, the quoted parent of a group of property related businesses which include Amoy Properties and Grand Hotel Holdings. Standard Chartered sold its Hong Kong headquarters to part of Chan's property empire in 1992.

Forbes magazine has estimated that he is worth over $1bn. In addition to his interests in several publicly quoted companies, he has substantial private business interests, which include the Morningside Group and Springfield & Company. The latter is involved in financial trading and has offices in New York, Boston, Chicago, Hong Kong, Beijing and Taipei.

Departures

- Derek Rosling, 63, a founder of HANSON in 1965 and vice-chairman until November 1993, has retired from the board; in recent years he has been resident in the United States.
- The Rt Hon the Lord Camoys has retired as a director of BARCLAYS and of the Bank.
- Ken Emery has retired as unit trust technical director at SAVE & PROSPER.
- Keith Ackroyd, md of BOOTS' retail division, will retire in July.
- George Hayes, marketing director of BERNARD MATTHEWS, has resigned.
- Richard Wong, director of CATHAY INTERNATIONAL HOLDINGS responsible for Far East operations, has resigned.
- Michael Brown has resigned from ENTERPRISE COMPUTER HOLDINGS.

Non-executive directors

Michael Miles, 58, an executive deputy chairman of Barings, has been appointed e non-executive director of BP. His appointment to the board of Britain's biggest oil company continues its longstanding boardroom ties with Britain's oldest merchant bank.

Miles, who remains an executive director of the family-owned John Swire & Sons, one of the biggest Far Eastern trading houses, is the first non-executive director to be appointed to the BP board since it adopted the Cadbury committee's recommendations on corporate governance.

BP played down the Barings' connection yesterday, describing Miles' membership of both companies' boards as a coincidence. The company had used headhunters to find its new director and said that Miles had been chosen from a list of four candidates all of whom had "strong Far East business experience".

Miles joined Barings as a non-executive director in 1989, just as Lord Ashburton, the current BP chairman, was retiring after 15 years as chairman of Barings. Lord Ashburton, formerly known as Sir John Baring, resigned as a non-executive director of the merchant banking group in March but remains chairman of The Baring Foundation, a charity which owns the non-voting equity capital of Barings.

Lord Ashburton, 65, is the longest serving director on the BP board and took over the chairmanship in June 1992 following the ousting of Bob Horton.

- Jock Worsley, a past president of the ICAEW and deputy chairman of LAUTRO, as chairman of LLOYD'S MEMBERS' AGENCY SERVICES.
- Dennis Cassidy, chairman of The Boddington Group, Ferguson International Holdings, The Oliver Group and The Saxon Hawk Group, at SEEBOARD.
- Baron Bernstein, chairman of the Bernstein Group, John Seddon, chairman of the Seddon Group, Charles Godwin as deputy chairman and Calum MacLeod as chairman at BRITANNIA BUILDING SOCIETY.
- Tom Chandos, a director of Botts & Co, at CHRYSALIS GROUP.
- Sir Anthony Beaumont-Dark as chairman at TR HIGH INCOME TRUST on the retirement of Paul Manduca.
- Robert Paine, deputy chairman of Scholes Group, as chairman of UNICORN ABRASIVES GROUP.
- David Young, former senior partner of Spicer & Pegler, at WATES CITY OF LONDON PROPERTIES.

Empire building

Jean-Baptiste Téfra is replacing Martin Mays-Smith as chairman of Empire Stores, the UK's fifth-largest mail order company.

Téfra, 47, became chief executive of ths catalogue operations of Empire's French parent La Redoute last year. He was previously managing director of Empire, until Michael Hawker, managing director of Sears' mail order subsidiary Fresmans, was recruited earlier this year.

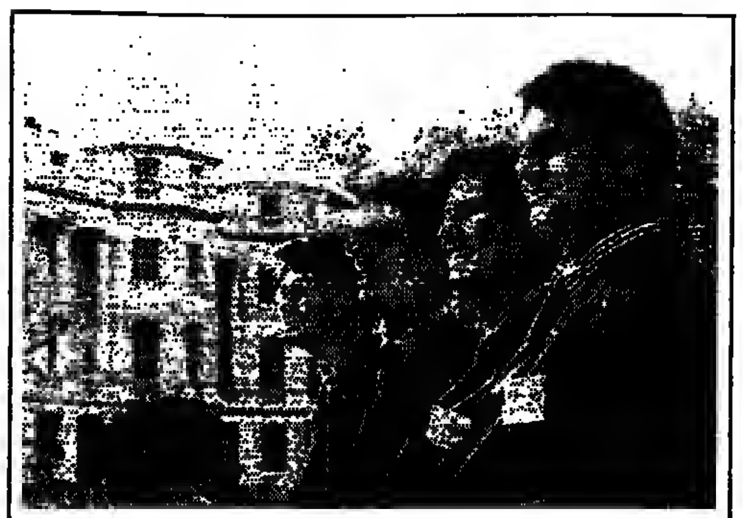
Hawker had been filling the role as a part-time consultant, but took over as full-time chief executive last week, at the same time as Téfra took over the chairmanship.

Mays-Smith is stepping down to pursue his other business interests, which include chairmanships of the Norwich and Peterborough Building Society and First National Bank. He says that with Michael Hawker's appointment, it was "clearly more appropriate" for Empire to have a chairman from Redoute.

Téfra graduated from the Ecole Centrale de Paris. He joined La Redoute in 1969, moved to a computer leasing company, CFCE, in 1971, and then to French retailer FNAC, before returning to La Redoute in 1984. He became md of Empire in October 1991.

- David Farrar, president of ALLIED COLLOIDS' North American operations, is appointed md of the group on the retirement of Peter Flesher.
- Barry Cody is stepping down from the board of SILENTNIGHT HOLDINGS to concentrate on his role as md of Silentnight Cabinets.
- Brian Summers has been appointed md and Alan Street business development director of BIRMINGHAM INTERNATIONAL AIRPORT following the retirement of Bob Taylor.
- Steve Dunn, marketing director of Pizza Hut, is appointed marketing and sales director of MERCURY One-2-One.
- Richard Johnson (below), formerly deputy chairman and md of Norgren Martonair Europe, has been appointed chief executive of WYKO GROUP.

MANAGEMENT



Colin Beere
The four Portuguese students who were named winners of Champ '94

Portuguese are Champs of 1994

Christopher Lorenz reports on a business student competition

Any consumer goods company whose branded product had a 40 per cent share of the European market would probably refuse to manufacture a private label version for one of its smaller national territories. The risks would be too high, the potential rewards too meagre.

Yet a remarkably well-argued case for a big French pizza-maker to do precisely that has helped a team of four Portuguese etudents win Champ 94 – Challenge in Management Perspectives – a business undergraduate competition which attracted entries from 400 teams in 23 countries across Europe.

Designed to test analytical, interpersonal and presentational skills, Champ 94 was one of the largest pan-European team events of its kind. It was sponsored by Unilever, with support from the London Business School, the European Commission and the Financial Times.

After qualifying heats last month in Budapest, Hamburg, Milan, Paris, Rotterdam and Warsaw, the two-day final was held last weekend at the LBS, whose MBA students organised the competition in conjunction with two international student associations, AEGEE and AIESEC.

The Portuguese victory, against teams from Germany, Hungary, Poland, Scotland and Switzerland, was greeted with whoops of joy worthy of a south European soccer match. Apart from one tied result, the team of 22-year-olds from the Catholic University in Lisbon won every phase of the final session. Last year, when Champ was started by two LBS students, 232 teams took part. That event was won by a team from the Stockholm School of Economics.

This year's final consisted of two days of case study analysis and debate, and an interactive computerised management game in which students had to make a series of high-pressure decisions over a company's purchasing, production and inventory. Appropriately for young people about to enter the real world of business, the marking is weighted towards teamwork.

Although it did not form part of the judges' official assessment, the students' fluency in business English was remarkable. Only two of this year's 24 finalists were native English speakers, and almost all are still in their early 20s. Yet their language skills were demonstrated not only in formal presentation but also in cut-and-thrust debate.

The winning team shares a Ecu 2,000 (£1,540) purse and receives individual eight-week work experience scholarships with Unilever outside their home country.

● *Champ, C/O LBS, Regent's Park, London NW1 4SA.*

HEALTH CHECK

Drugs can kill a germ which may cause serious stomach problems, writes Carol Cooper

Antibiotics offer new cancer hope

It is barely two decades since drugs like cimetidine revolutionised ulcer treatment, sparing many patients the knife. Now it has been discovered that a simple course of antibiotics may cure ulcers and even certain forms of stomach cancer.

The BBC's *Horizon* programme on Monday night told the story of the appropriately named Stephen Hope. He is one of several people with lymphoma of the stomach who have been treated successfully not by surgery or radiotherapy but by antibiotics against the bacterium Helicobacter pylori.

H. pylori was discovered about 100 years ago but misunderstood until recently. It was almost an accident that, while looking for a suitable research topic, young gastro-enterologist Barry Marshall became interested in H. pylori in 1983. Among other things, he tried giving himself the germ and eradicating it in his patients. Both were a great success, even if his efforts met with little acclaim at first.

H. pylori is highly resistant to stomach acid, which kills most known germs. It moves in corkscrew fashion, penetrating deep into the stomach lining. In the last ten years, research has increasingly implicated it in gastritis, gastric ulcer, duodenal ulcer, gastric cancer, and non-Hodgkin's lymphoma of the stomach.

Around 95 per cent of patients with duodenal ulcers and 80 per cent of those with gastric ulcers are thought to carry H. pylori. According to a study just published in the *British Heart Journal*, there is also evidence that the bacterium is associated with a higher incidence of coronary heart disease, though a causal relationship is unproven.

H. pylori is often acquired in childhood, especially among poorer households, where it may spread from person to person. Infection with H. pylori increases with age – at 50, around 50 per cent of us are infected; at 70, around 70 per cent.

Eradicating the bacterium can now be done fairly simply. A fortnight's treatment with two drugs (the antibiotic amoxycillin and the anti-ulcer drug omeprazola) does the trick in around three-quarters of patients infested with H. pylori.

This regime is easier than its predecessor, triple therapy, which involved more tablets, had more than a 20 per cent incidence of side-effects, and precluded alcohol for the duration of the treatment.

H. pylori is thought to multiply the risk of stomach cancer by six, but is only one of several factors

It is now possible to test for H. pylori (one such test costs about £26 per person). But many gastro-enterologists believe that all patients proved to have a duodenal ulcer should be offered eradication therapy, whether or not they carry H. pylori.

Studies point out that patients treated in this way feel better and relapse less often than those given conventional anti-ulcer treatment, and the treatment may cost less in the long run. A report from general practitioners in Suffolk suggested recently thet annual savings of at least £120 per patient could be achieved.

Some authorities would also agree that eradicating H. pylori is good treatment for gastric ulcers, and the last year has seen increasing evidence that it can work wonders for gastric lymphoma.

But this type of tumour accounts for only 5 per cent of all stomach malignancies. So what hope is there for most stomach cancer sufferers? H. pylori is thought to multiply the risk of stomach cancer by six, but is only one of several factors – diet and blood group are also important. One hypothesis is that a chain of sugars found only in type A blood may help H. pylori attach itself to the stomach lining.

It is not yet known whether eradicating H. pylori affects gastric cancer (as opposed to lymphoma). Nor is it clear how much it can offer those with gastritis – specialists are now trying it, though many believe it will confer few benefits.

A wider question is that since H. pylori can be tested for, might it be worth treating those who carry it but do not have symptoms, in the hope of preventing serious disease later?

At the moment, the answer is no. One problem is that the incidence of infection with H. pylori is very much higher than the incidence of diseases it is associated with. Until it is known precisely how the bacterium causes harm, it would be fruitless to treat all carriers.

Prevention of stomach malignancies may therefore be around the corner. From where we are now, however, that corner seems to be some way down the road.

The author is a London GP

Batting tips for a long innings

Business can learn from West Indian cricket's commitment, selection policy and self-belief, says Carla Noel

Brian Lara's world record-breaking cricket innings last month took the sporting world by storm. But the Trinidadian's batting score of 375 runs in tha final test match against England in the West Indies displayed an excellence which is also salutary for business.

Lara'e innings, like many played by West Indians over the years, had much to do with good people management and the creation of the right market conditions.

Firstly, cricket in the West Indies follows a golden rule pursued by most successful businesses: managers must believe in their employees. The businesses which excel in the long term select the best available talent, and then give them every opportunity to succeed.

In West Indian cricket, the talented players know that even if they have a series of low-scoring innings, the management will continue to select them. This faith is an important part of their motivation, and contrasts with the selection and deselection that occurs in English cricket: That is no way to manage people.

West Indian cricket also shows the significance of top management's commitment to the product. Its managers – many of whom were themselves sporting legends – know only too well how important cricketing success is for a region which has had few other things to boast about. Because of this, they take the job of maintaining and improving the performance of the team very seriously.

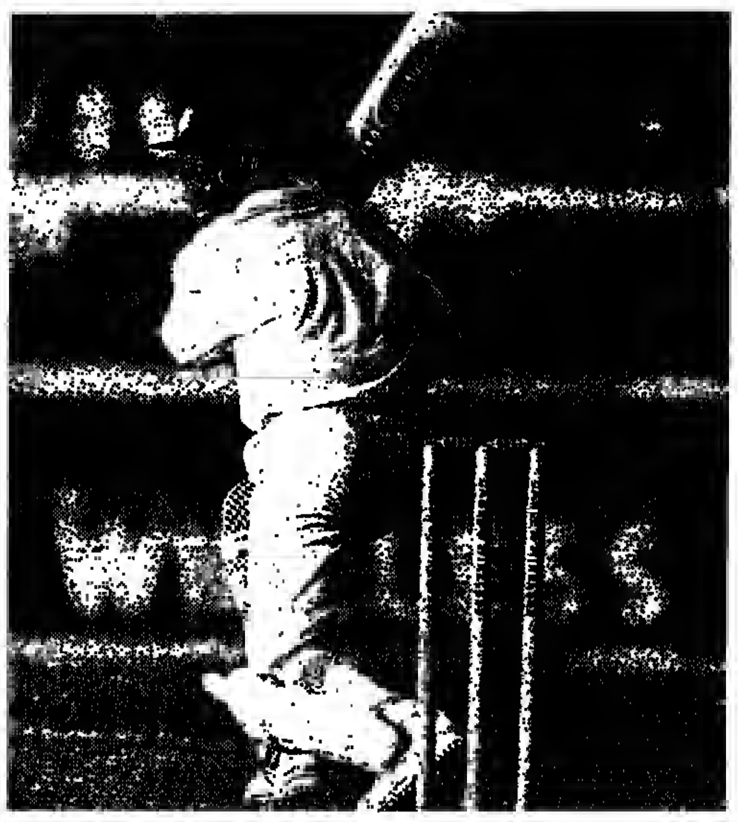
West Indian cricket also illustrates the need to have a market willing to consume the business's product. Without a customer base, businesses soon wither and die. In the West Indies, cricket will never die, since West Indians consume all they can of the game. If only all businesses could have such loyal consumers.

One final ingredient of business success illustrated by West Indian cricket is luck. This is thet curious element of competitive advantage often mysteriously conferred on some businesses, but not on others. Consider, for example, how lucky West Indian cricket is to have a climate which allows the game to be played and practised all year round. Luck can be a little bit of help from nature which many other cricket teams do not have.

More than all this perhaps, with a string of world record holders and world class talent stretching back many years, West Indian cricket also carries a legacy of success.

In business, as in cricket, a legacy of success is one of the key ingredients for continued success.

The author, a Trinidadian, is a research student at Templeton College, Oxford.



Ben Radford
Brian Lara displays a cricketing excellence which is salutary for business

Going down-market: 'GMTV' wants to emulate 'The Big Breakfast Show' (above, with Paula Yates and Chris Evans)

Television/Christopher Dunkley

Mixed up breakfast menus

The "Question Of The Day" is: what can you find in your garden shed? Other items on the programme include a test to see what happens when you pour a bucket of ice cubes into a man's underpants. A Scottish actor, chosen because of his role in an ITV detective series, is visited "unexpectedly" in his home, Cilla Black style, and invited to ride a gently undulating mechanical bucking bronco. There is an embarrassingly inept attempt at square dancing. Dancing to a bangra beat may be a bit better, though it is impossible to be sure since the item is extremely brief and the dancers are lost in a cloud of dry ice. Puppets called Zig and Zag, looking like rejects from the Muppets, screech so much that it is impossible to hear most of what they say.

This is *The Big Breakfast* on Channel 4, the programme which, we are assured, has been such a ratings success that *GMTV*, the ITV breakfast show which notoriously displaced TV-am, has appealed successfully for an easing of its licence requirements to be able to go further down-market and compete more effectively. One of the most striking aspects of *The Big Breakfast* is its astonishing cheapness. The "surprise" visit to the actor must have been the most expensive item on this day since it involved sending out a camera crew. Virtually everything else was done in the three lock-keepers' cottages which the company uses as its studio. The "family of the week" was there, Paula Yates did her interview-on-the-bed (with, of course, Hugh Grant, star of *Four Weddings And A Funeral*) upstairs, and the chap who blow-dried his chickens was downstairs. The sexy building worker with bare chest, shorts and a big hod was actually on the stairs.

Another striking fact is the extent to which the appeal of the programme depends upon other popular television output. Not only is there a regular "Snap, Cackle And Pop" item promoting forthcoming programmes (commercial programmes, anyway) there is also a lot of talk about the soaps. Even more obviously, presenter Mark Little is a young Australian whose sole claim to the job seems to be his previous experience as a member of the cast of the Australian soap *Neighbours*. He certainly does not exhibit any obvious talent for presentation, though co-presenter Gaby Roslin does. Indeed her charm and natural flair will surely take her pretty well anywhere else in television that she wants to go... which must surely be almost any other series.

But what strikes you most of all is the childishness of so much of the material. Even on days when the ultra brief news bulletins do turn up every half hour or so (on this day there is some technical hitch at the cottages and most of them are dropped) the overwhelming feeling is of a programme pitched at about the level of *Noddy In Toyland*. The studio colours – brilliant yellow, bright red, vivid mauve, lurid orange – are straight out of Noddy, the animated cartoons appeal to Noddy's public, as do Zig and Zag, and it is surely no coincidence that the outside reporter is the former children's presenter Keith Chegwin. The commercial breaks reinforce the impression: much of the advertising is clearly intended for young children.

So it seems that *The Big Breakfast* is aiming at an audience with a median age of about seven. But what on earth is *GMTV* up to? Its presenters, Eamonn Holmes and Penny Smith, look just like the sofa couples who come on later in the morning, apparently intending to appeal to women at home. To this extent *GMTV* is the last breakfast show still relying on the formula originally used by the BBC and TV-am when the whole thing began in spring 1983 and Frank Bough and Selina Scott sprawled on the sofa in their sweaters being ever so cosy.

But who does *GMTV* think it is appealing to? The phone poll asking "Do you want a referendum on the EC?" (90 per cent said yes) is obviously of widespread interest, but what about the long item on popcorn sales in American cinemas? Or the weirdly contrived report asking "What is it that American men find so fascinating about Scottish women"? Once again there is much exploitation of soap operas, but that sits oddly with the items on cricket ball tampering and a new off-the-wall Irish magazine called "DV8" (a name already used by a well known modern ballet troupe). Perhaps the idea is to have something for everyone, but the trouble is thet it looks unlikely to satisfy anyone.

The BBC on the other hand seems to have achieved, in this area at least, what it boasted it would do throughout television: it has taken the "Himalayan option", climbing back to the commanding heights and establishing itself as the provider of high quality. Whether FT readers really want to watch television at 6.00 in the morning I do not know, but *Business Breakfast* between 6.00 and 7.00 am can be remarkably lively. On the day in question it offered – in addition to routine reports on the Footsie, Nikkei and so on – items on the success of the price cutters in UK food retailing, the revival of US car manufacturing, the modernisation of Scotch whisky's image (can you imagine Scotch and lemonade?) and the academie/commercial schism within the Internet computer network.

A similar approach, exploiting the BBC's tremendous resources in international news, continues in *Breakfast News* between 7.00 and 9.05 am. True, on the day in question the overkill in covering Nelson Mandela's forthcoming inauguration was embarrassing, and the tone of religious solemnity in which it was discussed absurd. But the reports on Nagorno-Karabakh, Hizbollah, and opposition to the use of Lake Windermere by motor boats were excellent. Moreover they were – as always on this programme now – introduced by Nicholas Witchell and Sally Magnusson from behind news readers' desks, as they would be on the *Nine O'Clock News* or *Newsnight*, and not from a sofa.

Watching television at breakfast time still feels depraved to me, and almost any newspaper or radio programme seems preferable at that time of day. For those who do want television with their toast, however, there is now, undeniably, a range of sharply – even wildly – contrasting programmes.

Opera/Richard Fairman

La traviata

When *La traviata* first came to London, Queen Victoria forbade the Court to attend. A story about a prostitute who dies on stage was thought an improper subject for the theatre and it cannot have helped that Verdi intended the opera to be performed in modern dress, bringing its message even closer to home.

That it what Music Theatre London is about: lifting well-known operas out of their historical context and throwing them down in the fast lane of the present-day. The Mozart/Da Ponte operas and Rossini's *Cenerentola* have been swept along by their irreverent ebullience; this *Traviata* is their first try at a serious opera – a commission from the Covent Garden Festival as part of its adventurous programme of opera and music theatre.

Violetta's house-party is a yuppies' rave and when Gaston hursts out from a back room, it is to collect an orange presumably to go with a plastic bag and some ladies' stockings. Later, Alfredo comes in from doing the weekly shopping at Sainsbury's, any suburban boyfriend from the home counties.

For a producer updating a stage work this is the easy bit. When it comes to bringing the characters alive, the producer William Relton does not aim to score many points, hut some of the shots he does try are bull's-eyes: as Violetta sings her solo scene, she removes her hlond wig, peels off her false eyelashes and wipes clean the prostitute's face to reveal the untainted woman underneath.

By the last act she is in the terminal stage of some unnamed (unless I missed it) modern disease. Her end comes not in a grand Parisian apartment, but in a National Health hospital – every last drop of romance sanitised by the surroundings. Watching Mary Lincoln's Violetta trying to turn in bed during her final aria was painful in the right way and a fitting end to a portrayal that one could always believe in.

The company is lucky to have a Violetta who can sing what Verdi wrote, whereas one generally wishes that the musical arranger, Tony Britten, would help out his actors by re-writing more boldly. Tim Godwin sings the English words as if he has been listening to too many Andrew Lloyd Webber records, but his young puppy of an Alfredo ("hung like a horse" is his recommendation) is very touching. David Burt makes heavy weather of Giorgio Germont. The moral force of this role is more difficult to update.

The cameos include Liza Sadovy as a stylish slut of a Flora and Simon Butteriss's Gaston, who returns as a gypsy in drag with a talent for reading palms. He might predict success for this show if some of the bathetic rhymes in the translation can be sharpened and the string quartet rehearsed more thoroughly. *La traviata* is an opera of today and Music Theatre London has chosen well.

Sponsored by British Gas. Performances until May 21 at the Donmar Warehouse

Concerts/David Murray

Holt and Messaien

In a pair of concerts at the Queen Elizabeth Hall, Mark Wigglesworth and his crack Pramiere Ensemble have been playing with orchestral arrangements – not in the transcription-sense, but with seating and placing. Their first concert included Simon Holt's new *Minotaur Games*, for which the band was divided into almost exactly matching halves. For the late Olivier Messiaen's expansive *Des Canyons aux étoiles* on Monday, it rose in a pyramid five tiers high, with glittering percussion at the top – but also at port and starboard, down below.

In *Des Canyons*... the impact of the tiered band was terrific: forceful, lucid, all the pungent orchestral colours sharply distinct. Messiaen's inspiration came from an early 1970s visit to the brilliant desert-scapes of Utah – especially Bryce Canyon, Cedar Breaks and Zion Park, which earned the three most sumptuous movements hare. For their short but ultra-sweet episodes, the relatively small string-group sang out with ultra-vibrato. As always the pianist Yvonne Loriod, Messiaen's widow, was scrupulously faithful and articulate in the main solo role, without "personal" nuances and yet with penetrating expression. Richard Bissill's brave, skilful Freneh horn almost matched her.

Why was I so uninvolved? *Des Canyons*..., an hour and three-quarters long without any natural interval, was preceded by a London premiere of more-or-less posthumous Messiaen – a hrief tribute to his publisher on his 90th hirthday, for piano and string quartet. That does what *Canyons* did: recycle familiar Messiaen tropes in a new sequence, with some more birdcalls.

The recent "Pièce", however, is dense and dramatic for its three or so minutes. *Canyons*, despite some incisive writing, stretches out its length indulgently and interminably. To *believe* it you need to be a rapt devotee. It was delightful to read that its 9th movement would feature "slow and strong lambs, being contrasted to short and fast lambs in ascending sequences"; but then curiously dampening to recognise a mere typo for "lambs" (as in "iamble pentameter").

Holt's Minoan exercise, the centrepiece of a projected "triology" (sic), came with no notes but the composer's brief, clumsy recounting of the Theseus myth. No clue to how, exactly, his 15-minute *Minotaur Games* might latch on to it. The music hinted perhaps at a search, a confrontation, a headlong flight, and at a deeper level some nameless erotic scenario – there were eldritch howls and whimpers. But Holt's scoring is so insistently opaque in the low-middle (viola) register that we lost trace of any harmonic movement: the thing just *sat* there, emitting baleful cries, defying us to guess where it was meant to be going.

A tribute to Gary Glitter

Antony Thorncroft reviews 'Leader!' at the Arts Theatre

Leader! is billed as an "affectionate" tribute by the Gang to Gary Glitter – and that's the problem. "Affectionate" is much too mealy-mouthed an approach to Paul Dadd, the 50-year-old egomaniac who, after trying on as many personalities as Rory Bremner, hit the world as Gary Glitter, the Bacofoil Kid.

Supported by platform shoes of vertiginous height, and costumes that pushed camp excess beyond the imagination of Julian Cleary, in 1972 Glitter changed glam rock from a smile into a joke. He was also supported by the heftiest drum beat in the business. Outrageous; ridiculous; surreal; pathetic – these are hetter words for Glitter.

Of course Glitter had the last laugh. He went through all the career moves expected of a pop star – divorce, drug abuse, bankruptcy, teenage girls – but kept coming back for more doses of fame. In the 1980s he discovered the university circuit and students who remembered being awed by him as infants were now ready to laugh with him in maturity.

Little of the enormity of the man and his durability comes out in Steve Furst and M. Simon Leigh's portrait. It is as pedestrian, and self-censored, as *This is Your Life* (suicide attempts are "cries for help"), and starts with a wall chart of the Glitter career and ends with the inevitable communal choruses. There is one good joke: Leigh looks nothing like Glitter and so that bewildered, what-am-I-doing-here, stare, which was Gary's permanent on stage expression, is doubly effective coming from Leigh.

But the set and costumes are reminiscent of the troughs of Glitter's career when he played the chicken-in-the-basket circuit – although I'm sure he never appeared at La Rue's Codpiece, Didcot, as the script suggests. Paul Putner plays one of Glitter's many managers and Furst everyone from Andrew Lloyd Webber to Elvis Presley.

The problem is you cannot be more blatant than Glitter. He sends himself up so high that no satirists can reach him. But once a member of the Gang you are hooked for life, and there will be enough loyal members happy to honour the Leader at these meretricious entertainments. After all, there is nothing wrong with a little affection.

Dance/Clement Crisp

Booth's 'Wonderlawn'

Barclay's *New Stages* festival – concerned with the innovative and, we hope, the valuable in theatre and (some) dance – is in its fourth year and at the Royal Court. Several cheers for the enterprise; rather fewer, sad to say, for the major dance offering: Laurie Booth and Company in a commissioned piece.

I saw Booth's *Wonderlawn* on Monday night. I have much admired his solo and duet work (notably in his partnership with Russell Maliphant) for its extraordinary variety of energy – Booth like a calligrapher, brush heavy with ink, making sweeps and flows of dynamics, suddenly twisting the ideogram with a flick of the hand, leaving a bold shape on the retina. His stage persona is often that of guru or of a traveller in quest of spiritual experience. Serenity sought and found is an abiding impression in his best dances.

As a creator his most potent work is made for himself, or in tandem with one disciple-colleague, their bond the subtleties of contact improvisation, where every move awakens a spontaneous sequence of activity. His larger creations that I have seen look diffuse. So with *Wonderlawn*.

Three dancers – Ellen van Schuylenburch, John Kilroy, James de Maria – join Booth. Two parts, each just over 30 minutes long. An emollient score by Gavin Bryars for a chamber ensemble, making amiable wall-papery patterns. Elaborate design by Duncan MacAskill. And it is all too much. Focus, precision, even purpose, seem clogged by the rich trappings of collaboration. Booth has, in the past, shown us the beauty of austerity: he is better with a begging bowl than a bank account. What I saw in the first part was dance well done (Booth produced tremendous spirals of energy) but fatally bland. There was a whiff of the orient about it all – T'ai Chi; martial arts, Indian dance – yet it looked more Brummagem than Benares, as if the cast were auditioning for a revival of *The King and I*.

The second, and better, section found the dancers clambering on a vast metal web which was wired for sound so that each move produced a tingling resonance (very welcome to ears sated with Bryars' maunderings). The web flew up, Bryars and his ensemble (dressed, oddly, as druids) were revealed, and for a time Booth's skill gave the dance a bright immediacy. But at curtain fall – too long delayed – I felt somehow cheated. Booth can be more powerful, more illuminating than this.

INTERNATIONAL ARTS GUIDE

■ BONN

Beethovenhalle Tomorrow, Fri: Gary Bertini conducts Orchestra of the Beethovenhalle in works by Brahms and Berlioz (0228-773666)
Oper Sat, next Wed: Les Contes d'Hoffmann with Francisco Araiza. Sun: La fanciula del West. Mon: Tosca (0228-773667)

■ BORDEAUX

Palais des Sports Tonight, tomorrow: Jerzy Semkow conducts Orchestre National Bordeaux Aquitaine in works by Britten, Beethoven and Brahms, with piano soloist Grigory Sokolov (5648 5854)
Grand-Théâtre Tonight: Yuri Bashmet viola recital. Tomorrow: Gérard Poulet violin recital (5648 5854)

■ COLOGNE

Philharmonie Tonight: Hans Vonk conducts Cologne Radio Symphony Orchestra in works by Bartok and Stravinsky, with piano soloist Mikhail Rudy. Sat: Martha Argerich and Alexandre Rabinovitch piano duo. Sun, Mon: Ray Charles. Tues: John McLaughlin. Next Wed: Stephane Grappelli (0221-2801)
Opernhaus Tomorrow: Kathleen Kuhlmann song recital. Fri, Mon: Macbeth with Alexandru Agache and Elizabeth Connell. Sat: Ariadne auf Naxos with Alexandra Marc, Barbara Kilduff and Peter Svensson. Sun: first night of new production of Lortzing's Der Wildschütz, conducted by Lothar Zagrosek and staged by Andreas Homoki (0221-221 8400)

■ COPENHAGEN

Royal Theatre Tonight, Sat: Heinz Fricke conducts Nicolas Joel's production of Lohengrin, with alternating casts including Poul Elming and Tina Kiberg. Tomorrow: Der Rosenkavalier. Fri: Don Pasquale. End of season (tel 3314 1002 fax 3312 3692)
Tivoli Tomorrow: Kees Bakels conducts Tivoli Symphony Orchestra in Mahler's Sixth Symphony. Fri: Yuri Ahronovich conducts Danish Radio Symphony Orchestra in works by Franck and Tchaikovsky. Sat: Marco Boni conducts Tivoli Symphony Orchestra in Bloch, Bartok and Mozart (3315 1012)

■ DRESDEN

DRESDEN FESTIVAL
This year's programme (May 21-June 5) is inspired by August the Strong, whose accession as Saxon ruler 300 years ago heralded a golden era in Dresden's artistic life. Visiting baroque specialists include I Solisti Veneti, Concerto Köln and Virtuosi Saxoniae, and there will be a chance to hear rare choral and operatic works by Telemann, Hasse and Handel. Other highlights include Bach'e B minor Mass conducted by Riccardo Muti, Capriccio with a cast headed by Felicity Lott, and Alfred Brendel playing Mozart. The Semperoper's main contribution is a new production of The Cunning Little Vixen opening on Sat, conducted by Wolfgang Rennert and staged by Hans Hollmann, with a cast headed by Patricia Wise (0351-486 6666)

■ FRANKFURT

Oper Tonight: Guido Johannes Rumstadt conducts Nuria Espert's production of Elektra, with Janis Martin and Livia Budai. Sat, Mon: Frankfurt Ballet in choreographies by William Forsythe and Amanda Miller. Sun: Sylvain Cambreling conducts Herbert Wernicke's production of Duke Bluebeard's Castle, with Henk Smit and Katherine Ciesinski (069-236061)
Schauspielhaus Tomorrow, Sun: Frankfurt Ballet in choreographies by Miller, Rizzi and Schumacher (069-2123 7444)
Alte Oper Fri: first night of the Lerner and Loewe musical My Fair Lady, daily till next Wed. May 26, 27: Daniel Barenboim conducts Chicago Symphony Orchestra (069-134 0400)
English Theater Kaiserstrasse Bill Manhoff's comedy The Owl and the Pussycat opens next Wed for a two-month run (069-2423 1620)

■ GOTHENBURG

Konserthuset Tonight, tomorrow: Sakari Oramo conducts Gothenburg Symphony Orchestra in Corigliano'a Clarinet Concerto (Urban Claesson) and Tchaikovsky's Sixth Symphony (031-167000)

■ HAMBURG

Staatsoper Tonight: John Neumeier's version of Swan Lake. Tomorrow: Le nozze di Figaro. Fri, next Mon, Thurs and Sun: Gerd Albrecht conducts Harry Kupfer's new production of Khovanshchina, with cast headed by Olga Borodina and Matti Salminen. Sat: Aida with Maria Guleghina and Michael Sylvester (040-351721)

■ LEIPZIG

Opernhaus Tomorrow: Tosca with Anna Tomowa-Sintow. Fri: Don Giovanni. Sun: first night of Uwe Scholz's new version of Sleeping Beauty (0341-291036)
Gewandhaus Tomorrow, Fri: Dennis Russell Davies conducts Gewandhaus Orchestra and Chorus in works by Haydn, Ravel and Holst. Sun: Olso Bach Chorus in Handel's Solomon. Mon: Uwe Mund conducts MDR Kammerphilharmonie in Wolf, Falla and Mendelssohn, with piano soloist Carmen Vila (0341-713 2280)

■ LYON

Opéra Tonight: Felicity Lott song recital. Tomorrow: John Nelson conducts first night of Klaus Michael Gruber'a production of La traviata, with cast headed by Giusy Devinu. Repeated May 22, 25, 28, 31, June 3, 16, 19, 22 (tel 7200 4545 fax 7200 4546)
Auditorium Tomorrow, Fri: Gianluigi Gelmetti conducts Orchestre National de Lyon in Mahler's Ninth Symphony (7860 3713)

■ MUNICH

STAATSOPER
Tonight: Bavarian State Ballet in Peter Wright's production of Giselle, with guest soloists Evelyn Hart and Wes Chapman. Fri, Sat, Sun: National Ballet of Canada in two programmes, including Erik Bruhn's version of Coppelia and a mixed bill of works by Neumeier, Forsythe and Kudelka. Next Mon: Bavarian State Ballet in Neumeier'a A Midsummer Night's Dream (089-221316)

MUNICH BIENNALE
Munich'a fourth festival of new music-theatre winds up this week with the eagerly-awaited premiere of Benedict Mason's new football opera Playing Away, in an Opera North production staged by David Pountney and conducted by Paul Daniel (tomorrow, Sat and Sun at Deutsches Theater). A chamber opera by Nikolai Korndorff (b1947) based on the love story of Marina Zvetayeva and Rainer Maria Rilke will be premiered on Fri at Muffathalle. The festival's final events are a choral concert at Prinzregententheater on Fri and a nocturnal excursion through 20th century music at Gasteig on Sun evening (089-48098 614)

■ OSLO

Konserthus Tomorrow, Fri: Mariss Jansons conducts Oslo Philharmonic Orchestra in Shostakovich's Ninth Symphony and Mahler's Fifth. Next Tues: Jansons conducts Tchaikovsky's Fourth Symphony (2283 3200)

■ STOCKHOLM

Royal Opera Repertory for the next two weeks consists of Natalie Conus' production of Swan Lake and Ingvar Lidholm's Strindberg opera A Dream Play, with alternating casts including Hillevi Martinpelto and Hakan Hagegard (tickets 08-248240 information 08-203515)
Drottningholm The season opens on May 26 with the first night of a new Royal Opera production of Youth and Folly, Edouard Du Puy's early 19th century Singspiel (08-660 8225)
Berwaldhallen Tonight's concert by Swedish Radio Chorus includes works by Delius, Argento, Rossini and Brahms. On Fri, Woldemar Nelson conducts Swedish Radio Symphony Orchestra in works by Rakhmaninov and Beethoven, with piano soloist Leif Ove Andsnes. Sat: tribute to Duke Ellington (08-784 1800)
Konserthuset Krystian Zimerman gives a piano recital next Wed (tickets 08-102110 information 08-212520)

■ STRASBOURG

Palais de la Musique Tomorrow, Fri: Theodor Guschlbauer conducts Strasbourg Philharmonic Orchestra and Chorus in Beethoven's Ninth Symphony (8852 1845)
Théâtre Municipal Next Tues, Thurs: Opéra du Rhin production of The Makropoulos Case, with Sophia Larson as Emilia Marty (8875 4823)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730

Ian Davidson

It's not on the menu

Mr Hurd's portrayal of an à la carte Europe is deceptive

Mr Douglas Hurd has been trying to persuade the Tories that they ought to like the European Union. In principle this is a worthy enterprise, and not before its time, especially in the run-np to next month's elections to the European Parliament. Unfortunately, however, the UK foreign secretary's sales pitch for Europe is misleading, both about the facts as they are now, and about the future as it is likely to be.

Mr Hurd has been telling the party that the argument in Europe is going Britain's way. The European Union is not a tyrannous and regimented organisation, he reassures the Tories, but a wonderfully flexible grouping, which is becoming more flexible all the time. Its flexibility is reflected in Britain's various opt-outs, from the single currency and the social chapter; and this so-called "variable geometry", by which member states can pick and choose the policies that suit them, will be the wave of the future.

"This," he told Scottish Coneervatives last week, "is a multi-track, multi-speed, even multi-layered approach, which will increasingly be the way of the future. It threatens no one."

His tactics are obvious. The Conservatives risk a drubbing in the European Parliament elections, some of which may come from the anti-European wing of his own party. If he can win over some of the party's waverers on Europe, he may hope to alleviate the danger of a threat to Prime Minister John Major's leadership.

The problem is that it is simply not true to suggest either that national opt-outs are becoming a generalised pattern throughout the Union, or that Mr Hurd's image of a "multi-track, multi-speed, multi-layered approach" is becoming generally accepted as an alternative model of how Europe should develop in future.

On the contrary, most of the other governments are still committed to the model of an integrated Europe with strong common institutions, in which all the member states sign up to reach the same common objectives, sooner or later. This commitment to the traditional model tends to be strongest among the original founding members at the heart of the European Union; and there is no sign they are being won over by Mr Hurd's vision of Europe *à la carte*.

British ministers have triumphantly endorsed recent proposals from the Bonn government for faster deregulation in Europe. But it would surely be a mistake to draw too large an inference from this initiative. The German government has its own problems of unpopularity with the voters in the run-up to the European elections; and Germany also has its share of Euro-sceptics. This episode does not constitute evidence of a etrategic shift in Germany's European policy, away from the objective of an integrated Union, towards the loose Europe of opt-ins and opt-outs touted by Britain.

There is no sign the founding members are being won over by Hurd's vision

Now it is possible that we shall see more "variable geometry" in Europe in future. It may be desirable as a way of accommodating the countries of eastern Europe; and if the Union becomes more integrated, it may be an unavoidable concession to the reluctant members. Bnt this does not mean that Europe *à la carte* will become the preferred paradigm for Spain, Portugal or Ireland, let alone for France, Germany or the Benelux.

So when Mr Hurd says that there is no danger of Britain being left in a "slow lane or outer circle" of the European Union, he is being merely disingenuous. There is certainly no danger that the other member states would prefer to relegate Britain to an outer circle. But unless variable geometry does become the generalised pattern for *all* the member states, the logic of the way Mr Hurd is talking is that Britain might manoeuvre itself into a elower lane.

Mr Hurd's advocacy of a British vision of Europe may ease the pressure on the government in the European elections; or it may not, we shall see. But the longer he sticks to this kind of dialectical deception, the harder it will be to frame a reasonable strategy for the fundamental medium-term choices coming up.

Those choices will have to be faced in the Inter-Governmental Conference of 1996. This was originally conceived as a fairly modest event, to revise the Treaty of Maastricht in the light of experience; it now seems likely to be a much bigger affair, to plan for the opening of the Union to the countries of eastern Europe. No one yet knows how or when they can be brought in; but it is already obvious that they cannot be included soon without fundamental revisions of the Union's policies, or its institutions, and probably both.

A larger Europe, moreover, must have a common foreign and security policy. This was a decorative optional extra in the Maastricht treaty, but will become an inevitable obligation, imposed by geography. The east European countries have just been offered associate partnership in the Western European Union defence grouping; when they join the European Union, their security from any instability in the east will unavoidably become our concern. In political terms variable geometry will become more difficult in this larger Europe, not easier.

In 1996, therefore, most existing member states will want to strengthen the central institutions of the Union, including, no doubt, easier majority voting and more powers for the European Parliament; and some may want to go further, towards a European constitution. There must be a real danger of an ideological confrontation between Britain and its partners. But the negotiation will be unnecessarily gruelling the longer the government goes on painting a misleading picture of the way things are really going in Europe.

Price wars over name-dropping

Daniel Green on the commercial threat posed by generics to the world's top drugs companies

A drug price war starts today. At midnight, one of the world's best-selling drugs, the ulcer treatment Tagamet, lost patent protection in its biggest market, the US. Its manufacturer, the Anglo-US company SmithKline Beecham, estimates that it could lose sales worth $600m a year as about 10 makers of cut-price unbranded versions – generics – enter the market.

While this is worrying for SmithKline, the world's sixth-biggest drug company is not alone. Tagamet is just one of 17 drugs with combined annual sales of $2.8bn in the US whose patents expire this year, according to Goldman Sachs, the US stockbroker.

Between 1993 and 2005 drugs with total US sales of more than $27bn will lose patent protection. None of the world's leading drugs companies is immune to growing competition from a new generation of generic products.

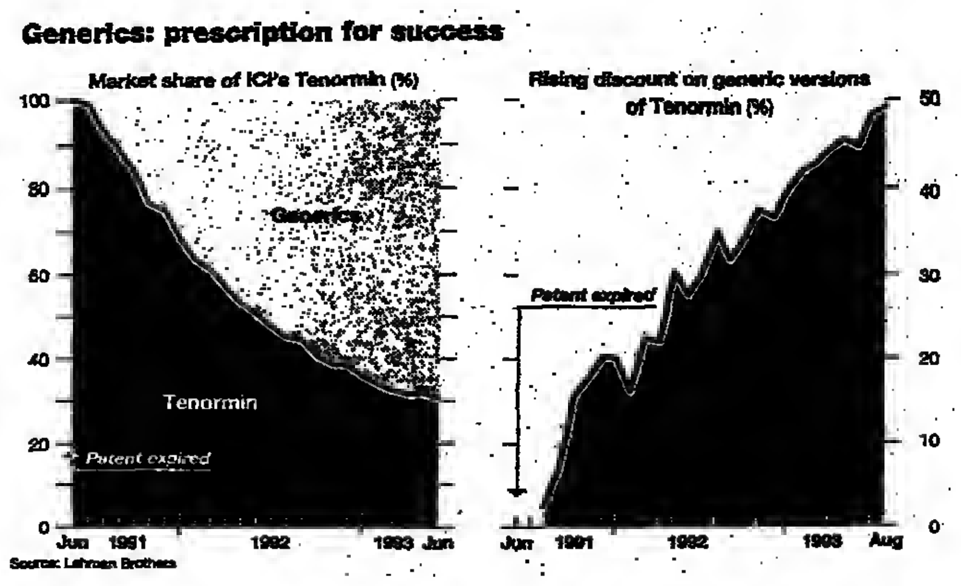
The race is on to enter the generics market because of a bulge in the number of patents which are expiring. Valium, the anti-depressant made by the Swiss company Hoffman-La Roche, was a patented drug whose success in the 1960s showed other groups how profitable the process could be.

The eubsequent research boom of the 1970s generated the blockbuster drugs of the 1980s. They included drugs for heart treatment such as ICI's Tenormin (see chart), as well as Tagamet and the closely related Zantac, made by Glaxo of the UK and still the world's best-selling compound. Drug patents usually last 20 years and the industry is now seeing the fall-out from these post-Valium efforts.

By unhappy coincidence for the drugs companies, healthcare costs are being scrutinised by those who pay the bills – US employers who pay insurance premiums, insurance companies which meet claims, and governments throughout the industrialised world. All three groups are eager to substitute cheap generics for costly branded drugs.

There are huge potential savings. "The industry used to calculate that the price of a generic version fell to less than 20 per cent of the branded drug's price within 18 months," says Mr Jim Hageman, the vice-president responsible for US generics at US company Upjohn. "Now you get the same price fall in under 12 months."

This is welcome news for drugs buyers, but damaging for drugs producers. Earlier this month, the US company Syntex agreed to a $5.3bn takeover by Hoffman-La Roche. Syntex had seen sales of its best-selling product Naprosyn, an anti-inflammatory, fall by 60 per cent after the patent expired at the end of 1993. "Naprosyn prices have fallen as far as 95 per cent," says Mr Paul Freiman, Syntex chairman.



The Davids who are humbling these Goliaths are small but fast-growing companies. Goldman Sachs estimates that there are between 350 and 400 US generic drugs companies, of which nine count as "major independent firms" but only four have sales worth more than $100m a year.

While sales of many generics are rising, it remains unclear whether companies reliant on them will generate sufficient profits to rival brand-name groups. Mr Peter Goldsbrough, vice-president in charge of healthcare at management consultancy Boston Consulting Group in the UK, says the generics business is driven by cutting costs and prices to a minimum to win market share.

"There will always be room for a few fast-moving companies," he says, "but the real winners may be alliances led by the big drugs makers."

This idea is already taking root. Bristol Myers Squibb, the second-biggest US drugs company, launched its US generics subsidiary in 1989 and claims it is now so big that it would be the country's seventh-biggest drugs manufacturer if it stood alone.

Last week, Bristol Myers Squibb bought 25 per cent of a German generics company, Azupharma. The deal followed acquisitions this year by German chemicals and drugs makers Bayer and Hoechst of stakes in US generics companies Schein and Copley for $310m and $546m respectively.

More important still are the takeovers by Merck of Medco, the US drugs distributor, last summer for $6bo, and of Diversified Pharmaceuticals Services by SmithKline Beecham for $2.3bn this month. Defence against the threat of generic competition is part of the rationale for these deals. Medco and Diversified are the middlemen of the drugs industry, linking the drugs companies with healthcare buyers. They offer a complete range of drugs and will now promote their owners' products first whether they are branded or generic drugs.

But such deals are an expensive and unproven means of defence by drugs groups against generics. Lawyers and chemists have a record for beefing up old patents.

Glaxo's Zantac was first patented in a crystalline form that proved difficult to produce. Eventually a second, more stable, form was patented and it is this version that has been so successful. The patents for the early version lapse next year while the later version is protected until 2002.

Glaxo's reliance on its newer Zantac patent was exposed in March when Ciba said it had found a way of manufacturing the earlier crystalline version of Zantac. Glaxo shares have underperformed since the Ciba announcement. In April Glaxo filed a patent-infringement suit in the US against Ciba, which is still 18 months away from the launch of its generic rival.

SmithKline Beecham says it would have been happy to follow Glaxo and file a patent on an improved version of Tagamet. "We looked at that but it wasn't possible for us to improve Tagamat," says Mr Jerry Karabelas, president of SmithKline's North American pharmaceuticals bnsiness. Instead, SmithKline launched its own generic version of Tagamet last week. It will also supply the generic to Lederle, part of American Cyanamid, the US drugs maker, to sell only to pharmacies.

But these strategies – supplying distributors with generics and launching generics – have their weaknesses.

The now-subsumed Syntex decided it would supply the generics market but was overwhelmed by the number of competitors, according to experts at the US stockbroker Lehman Brothers. The UK company Zeneca, then part of ICI, entered the generics market with a version of its heart treatment Tenormin. ICI's market share fell by 70 per cent in the two years after the patent lapsed in 1991 because the generic was too expensive and made customers more receptive to independent generic snppliers, adds Lehman Brothers.

The recognition is rapidly dawning on the drugs industry that despite efforts to counter the generics threat, there is only one genuine defence: new products with new patents.

SmithKline Beecham, for one, says this is a central plank of its anti-generics strategy. It will continue to fight to extract full commercial value from Tagamet, but it sees its future in two new drugs with potential to match the sales Tagamet enjoyed in its beyday: anti-depressant Seroxat and anti-viral Famvir.

But not every company has suitable drugs in clinical trials ready to come to the market as older drugs lose their patents. And relying on scientists to rescue the business is risky: the cost of research and development is about $200m a product, while it typically takes seven years from patent application to market launch, with no guarantee of success.

The fact that SmithKline Beecham and others have decided to make new product development, however risky, the priority in fighting generics is an admission that branded prescription drugs will eventually succumb to unbranded rivals when their patents expire.

The decision to make new product development a higher priority than the defence of drugs whose patents have expired might be welcomed by governments, health insurers and employers eager to see lower prices for old drugs and prepared to pay a price for genuinely innovative cures.

Drugs companies might like it less, but those that take this route fear that the alternative is to go the way of Syntex.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Unbecoming anti-US slur

From Mr Alan Cope.

Sir, In his cinema review, "In the spirit of myth-making" (May 5), Nigel Andrews refers to a movie that was "so good it did only medium business in the US", a country "where many people have not heard of Arthur Miller, Einstein or the Pope".

This kind of silly anti-American slur ill becomes a newspaper which is published for an international readership.

Alan Cope,
918 Osage Road,
Pittsburgh,
Pennsylvania 15423,
US

US action blatantly contradicts free trade

From Jörg Schimmelpfennig.

Sir, Export promotion quite often is not only the obverse of trade protection, as your leading comment states ("Uncle Sam, salesman", May 16), but is virtually equlvalent to it.

With decreasing average costs – which is certainly the case in the aircraft industry – winning an export order enables companies such as Boeing to reduce their domestic prices and still earn what is a genuine, that is unsubsidised, profit on the resulting domestic orders.

Accordingly, promoting exports to Saudi Arabia is at the same time a most elegant way to prevent possible foreign competitors from gaining access to US markets as well.

Consequently, the trade policy currently employed by the Clinton administration stands in blatant contradiction to the free trade philosophy which it sermonises so emphatically, but nonetheless hypocritically, elsewhere.

Jörg Schimmelpfennig,
Department of Economics,
Universität Osnabrück,
D-49069 Osnabrück,
Germany

Link relief to level of investment

From Vishvas Kanji.

Sir, Venture capital trusts are intended to provide a much needed source of capital for unquoted companies trading in high-risk activities.

However, your article (Management: "Will the bait be tasty enough?", May 10) reminds us of the shameful waste that can result when the parameters defining the qualifying activity are drawn too tightly. In comparison, the legislation on Employee Share Ownership Trusts occupies 10 pages of the Finance Act 1989, but one can count the number of ESOTs set up on the fingers of one hand.

Let us hope that this will not be the situation with VCTs. This is particularly so as tax relief for specific activities is a form of subsidy.

This relief is given at the expense of taxpayers. It can be justified only where it effectively promotes a credible government policy.

For VCTs the investment mix will be crucial. This could best be dealt with by introducing a tapering relief.

A VCT would decide the percentage of funds it would invest in "qualifying companies", subject to a collar of, say, 65 per cent. The greater the proportion of funds to be so invested, the greater the tax relief available to the VCT investors.

A VCT prepared to invest more than, say, 90 per cent of its funds in qualifying companies would allow its investors' gains to be completely tax free. A VCT prepared to invest only 65 per cent of its funds in qualifying companies would allow its investors' gains to bs taxed at, say, half the normal rate.

Partnership with private industry is an efficient use of resources to promote government policy. Efficiency requires some flexibility. A tapering relief would provide this.

It would be a shame if it was possible to count the number of VCTs on the fingers of one hand.

Vishvas Kanji,
Fox Williams,
City Gate House,
39-45 Finsbury Square,
London EC2A 1UU

Consultants are more than cost-cutters

From Mr Keith Burgess.

Sir, Your article, "Whitehall wsste over consultancy projects attacked" (April 26), and the Csbinet Office report which it cites, are incomplete and inaccurate regarding the contribution made by management consultancies to government.

The quoted figure of £10m grossly understates the savings our members are in fact able to prove.

Because the total savings are unknown, it cannot be assumed that they are negligible.

Management consultancy is about creating wealth, encouraging best practice and transferring skills.

It is not merely about cutting costs.

The Cabinet Office report agrees that consultants make a significant contribution to achieving important government objectives. They also provide invaluable assistance in managing change programmes and other fundamental reforms.

The report makes clear, however, that there is little attempt by government to track expenditure or to assess value for money with regard to consultancies, and it argues that more should be done in this respect.

The MCA wholeheartedly agrees with this point. Much can be achieved through improved purchasing, greater accountability and follow-through to obtain better value for money.

It would be a great shame if a report, which is intended to produce such changes, is used to pillory one of the most powerful forces stimulating such improvements.

Keith Burgess,
president,
Management Consultancies Association),
11 West Halkin St,
London,
SW1X 8JL

CrossRail would be folly

From Mr David Starkie.

Sir, The "business as usual" tone of the comment following the collapse of the CrossRail bill ("Search starts for a way to revive CrossRail", May 12) and your editorial comment ("CrossRail debacle", May 12) surely miss the point.

It would appear that the economic return from investing in CrossRail is inadequate and that the Commons committee was mindful of this when blocking the bill.

You remark that the Jubilee Line was given the go-ahead as s political gesture; but to go ahead with the CrossRail project would be to repest the folly.

There is a need for more investment in public transport infrastructure, but let us invest wisely.

Projects with good social cost benefit returns do exist. But these often appear to lack the glamour of the mega project or they serve less politically charged interested groups.

Nevertheless, in the long run the economy will be better served by the adoption of a more rational and consistent approach to transport investments.

David Starkie,
Putnam, Hayes & Bartlett,
Lansdowne House,
Berkeley Square,
London,
W1X 5DX

Use your Euro vote

From Mr Martin Roper.

Sir, Much has been written about the question that needs to be asked in any referendum concerning the UK's future within the European Union.

But the disenfranchised electorate now has the chance to take part in an unofficial referendum with no questions asked.

To pencils, citizens!

Vote for your MEP of choice or spoil tha ballot paper in protest!

Martin Roper,
23 Horniman Drive,
Forest Hill,
London,
SE23 3BJ

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Wednesday May 18 1994

Chernomyrdin sees the light

Victor Chernomyrdin was chosen as Russia's prime minister because he had a proven track record of running a successful Soviet enterprise. He was not picked because of his grasp of the economic and management skills required to shift a centralised and militarised economy towards a decentralised, market system.

But the policy statement published in this newspaper on Monday indicates, at the very least, that Mr Chernomyrdin has been persuaded by 18 months in high office thet currency stability is a top priority and that potential foreign investors require a stable legal and tax regime and have to be wooed, not grudgingly tolerated.

These are important conclusions, reflecting a marked shift away from the attitudes with which Mr Chernomyrdin assumed office. Gasprom, the gas enterprise he once controlled, was always a ferocious lobbyist for more funds and fiercely resistant to foreign investment in one of Russia's industrial "crown jewels".

Mr Chernomyrdin appears to have taken on board both the advice of the international institutions and the reform experience of central Europe and the former Soviet Baltic states, especially Estonia. He portrays himself as a convert to the virtues of positive real interest rates and tightly controlled budgets. As proof, he points to his government's perseverance with anti-inflationary policies in the face of a 25 per cent decline in production and screams of pain from the powerful military, industrial and farm lobbies.

Such perseverance is brave. But, as Mr Chernomyrdin now concedes, there is no alternative. The really difficult part still lies ahead. Monthly inflation of 7-8 per cent is better than 30 per cent, but it has to be reduced still further if the preconditions for stable growth are to be established.

Loss-making plants

It is hard to see how inflation can be reduced, however, while the prime minister continues to argue that the loss-making plants which sustain employment and social amenities in "hundreds of cities and towns throughout Russia" have to continue in production. These plants and cities were built in defiance of economic logic to serve a militarised economy which *has* to be largely dismantled if resources are to be freed up to allow the development of new enterprises, responsive to the needs of consumers and capable of producing the goods and services required to build a market-based economy.

Equally clearly, however, the millions of Russians who live and work in such communities cannot simply be abandoned to their fate. Devising a social security framework which would allow the Russian authorities to provide unemployment pay, and to retrain and relocate workers and their families away from what were often in origin Stalin-era prison labour camps or cold war bastions, should become a top priority for co-operation between the Russian and western governments.

Managed decline

At the same time, however, the leaders of Russia have to keep in the forefront of their mind thet the new economy which will eventually grow out of the wreckage of the Soviet model will not be a modernised version of the old. An economic policy which concentrates on revamping and modernieing thousands of Soviet-era plants is not likely to leave enough resources for budding entrepreneurs to build enough new factories and plants on greenfield sites. Nor will revamping the old release sufficient resources to permit the development of the service industries which have been so woefully lacking in the past and which provide such a high proportion of employmant and wealth in contemporary market economies elsewhere in the world.

Mr Chernomyrdin is right to focus upon the need for financial and monetary stability and is well placed both to understand the fears of state sector managers and to explain tha need for managed decline of the state sector.

But his main energies should be devoted to extending privatisation and encouraging both foreign investment and the domestic entrepreneurs. The private sector already provides more than 50 per cent of the jobs in the booming Polish economy, and is rapidly increasing its share in other former socialist economies.

Russia, with its skilled labour force and resources, is perfectly capable of developing a modern economy along similar lines. The trick is to release the energies of those capable of using Russia's potential wealth in a creative and modern way, not to spend too much energy propping up the old structures.

Oil on the rocks again

When the Braer, the Liberian registered oil tanker, smashed onto the rocks of the Shetland Isles in January 1993, spilling 85,000 tonnes of crude oil, the public and MPs understandably called for immediate measures to prevent such a disaster occuring again. Lord Donaldson's 500-page report into the implications of the wreck for merchant shipping, published yesterday, says that the call should be heeded.

The picture Donaldson paints is of an industry in near-crisis: suffering from "vast overcapacity", slender or non-existent profit margins, and an unwieldy system of safety regulation. His team was "shocked", it says, to discover that there had been 67 incidents potentially as serious as the Braer in UK waters last year.

Of the team's 103 recommendations, the main one – more regular inspections by ports of ships' maintenance – appears both to be workable and to stand a chance of improving safety standards. Under this proposal, European ports would delay the granting of permission to load and unload cargo for ships which did not comply with inspections.

Donaldson is right to identify maintenance standards as the heart of the industry's poor safety record. He avoids, too, the temptation of calling for further changes in ship design. There is no evidence that the double-layer hulls incorporated in new tankers since 1993, in response to the Exxon Valez disasters off Alaska, would have saved the Braer.

Public concern

However, Donaldson's recommendation that the UK should surround itself with a network of salvage tugs to help struggling tankers appears more of a gesture to public concern – and potentially an expensive one – than an effective policy. Tugs were available to tow the Braer, but the captain delayed in alerting them.

Similarly, the report's endorsement of the costly practice of spraying oil slicks with detergent to disperse them is open to challenge. Environmentalists say the detergents are as harmful to marine life as oil pollution, while one of the lessons of the Shetlands is that the force of the waves can be the most effective tool for dispersing pollution.

However the report's most serious omission is its failure to find more ways, in its own words, "to make it unprofitable to cut corners". The key is tackling the shortcomings of the present international rules on liability for shipping pollution.

The Torrey Canyon spill in 1967 gave birth to the Civil Liability and Fund Conventions, under which shipowners limit their liability for oil spills to several hundred million dollars. Two voluntary compensation regimes known as Tovalop and Cristal, financed partly by levies on the oil industry, cover countries which have not signed the conventions.

Liability limits

Maximum liability under these schemes has been rising steadily – by more than 20 per cent under Tovalop and Cristal for the current year. A further rise in liability limits should be encouraged, given that the sums still amount only to a tiny fraction of the costs of cleaning up.

That is not to back the scale of liability in the US, where Exxon has already paid more than $2bn for the Valdez incident. Pitched at too high a level, insurance rates soar and pressures on a struggling industry intensify. What is needed is something midway between the global voluntary schemes and US. Governments also need to find replacements for the voluntary schemes, which expire in February 1994, or press more countries to ratify the conventions. The low level of compensation for non-oil pollution – which runs at only about 20 per cent of that for oil – represents another troubling gap in the present regime.

The Donaldson report focuses mainly ou measures within the UK government's control. But, as it recognises, most of the toughest problems are international in cause. That is the arena in which solutions need to be framed.

John Plender explores the impact of trading in derivatives and other financial instruments on the US banking system

High-wire act in a bear garden

At the start of the year, US Federal Reserve chairman Alan Greenspan was credited with unusual sagacity. His adroit manipulation of monetary policy over the previous four years had restored the capital of the US banking system and averted a credit crunch.

Today things look altogether different. The financial community is nervous and critical, following successive increases in interest rates that have rattled global markets. Politicians in Congress fear thet the high volume of trading in derivative instruments such as swaps, futures and options could lead to a disaster to match the recent savings and loans fiasco. The stability of the US financial structure is once again being questioned against the background of exceptional market volatility.

At first sight, that seems paradoxical. If the banking system has been recapitalised and profits are healthy, why worry? Yet the very success of Mr Greenspan's gigantic market-rigging exercise, in which interest rates were held at negligible levels in real terms while the banks traded their way out of trouble, has distracted attention from a radical change in the structure of the banking system. Of far greater long-run importance than the noisy debate about derivatives and hedge funds is the way the biggest wholesale banks – dealing mainly with governments, institutions and companies – have been shrinking their deposits and loan books as they turn themselves into high-octane global marketmakers and dealers, trading in a vast range of on- and off-balance sheet instruments.

The visitor to Wall Street is left with the impression thet the pace and scale of financial innovation is such that no one can be sure how much capital banks really need to support these activities. Small wonder that, in a report due today, the US General Accounting Office is expected to call for more stringent capital requirements.

The low stock market rating accorded to many big commercial and investment banks also suggests that high profitability may reflect nothing more than increased risk-taking. The falls in the biggest US banks' trading profits in the recent first-quarter figures lend credibility to that view. Much the same applies to the investment banks, which the commercial banks increasingly resemble. Salomon Brothers, says its chairman and chief executive officer, Deryck Maughan, went into 1994 with the largest inventory (of financial instruments) in its history. Others were almost certainly in tha same position before the storm struck, when the Fed raised interest rates on February 4 for the first time since 1989.

If the investment banks adopted the opposite of Japanese just-in-time inventory control last year, the big US commercial banks are becoming more like their Japanese equivalents. Their capital is increasingly vulnerable to market fluctuations, but without the prop of Japanese-style hidden reserves or the albatross of crippling Japanese bad debts. This stems from an approach to banking which reflects the belief that conventional financial intermediation – raising deposits and lending to borrowers – will increasingly be undertaken by markets instead of banks.

A growing proportion of such market activity is driven by high technology and relentless innovation, notably in derivatives. The merit or otherwise of the doubters' concerns about new instruments will be explored in a subsequent article. What matters here is the big transformation in the composition of bank revenues and balance sheets.

Consider Bankers Trust, whose visionary chairman Charles Sanford regards run-of-the-mill commercial banks as no more than inefficient mutual funds that do a poor job for their depositors. He expects conventional bank intermediation to have largely disappeared by 2020 and is tailoring his banks' activities accordingly.

Between 1989 and the end of 1993, Mr Sanford's loan book shrank from $18.4bn to $13.9bn, while the financial instruments that Bankers Trust trades on its own account rose from $12.2bn to $48.3bn, equivalent to more than half its total assets. Last year revenue from own-account trading, at $1.6bn, exceeded net interest revenue of $1.3bn for the first time; and that understates the dependence on trading because net interest revenue included more than $600m that was related to own-account trading.

Meantime the notional amount of instruments such as derivatives, which do not appear on the balance sheet (and whose absolute value in the accompanying tables and charts is less meaningful than their relative value and the year-to-year trend) has soared from $461bn to $1,900bn over the period. Equally striking is that the credit risk in relation to counterparties in these off-balance sheet contracts stood at $61.8bn in Bankers Trust's latest balance sheet, whose stockholders' equity amounted to just $4.5bn.

Bankers Trust is the extreme case of a bank turning itself into a hugely leveraged (highly borrowed) investment dealing company. But others have comparably radical strategies. The giant of the industry, J.P. Morgan, has seen its net loan book shrink from $26bn to $23.2bn over the past five years, where it accounts for a mere 17.3 per cent of total assets. Yet the balance sheet total has increased from $89bn to $134bn, with more than two-thirds of the increase coming from the rise in the value of trading account assets. The notional amount of off-balance sheet exposures has risen more than threefold to $1,700bn in that time (see chart).

Much the same process has been at work in the investment banks. When Morgan Stanley went public in the mid-1980s, its prospectus showed own-account transactions amounting to 13.5 per cent of net revenues. In the latest financial year the comparable figure was 38.9 per cent. There were no figures in the original prospectus for swaps and other derivatives, whose notional value stood at $629bn in Morgan Stanley's latest accounts. Reporting accountants Arthur Young presumably took the view that they were uot sufficiently material in 1986 to require disclosure.

There were equally dramatic increases in off-balance sheet activity at Salomon Brothers, which has traditionally been heavily dependent on trading for its own account; also at Goldman Sachs and Merrill Lynch (see table). And the big European universal banks are now following suit, leaving the heavily regulated Japanese far in the rear.

Few doubt US banks have mapped out the future for wholesale finance. Up to a point it works

Few on Wall Street or in London doubt that the US banks have mapped out the future for wholesale finance. Up to a point, it works. Having lost most of their biggest clients after Mexico's default in 1982, when companies discovered that they could cut out the banking middleman and go direct to the markets for funds, the banks have found a new way of ingratiating themselves with their former corporate clients. Risk management and trading products provide an answer to the shortage of bankable assets that followed the third-world debt crisis. The problem is to *identify* the nature of the risks and profits involved.

Charles Sanford at Bankers Trust argues that, if banks constantly adjust the value of their financial instruments to market valne – known as "marking to market" – credit problems will be perceived much earlier than with conventional bank lending. Most institutions that use derivative instruments will only deal with counterparties who have a respectable credit rating. In this kind of world, Mr Sanford claims, the less developed country debt problem would not have happened. "Bank lending," he boldly asserts, "is the most risky thing we do."

Certainly it is hard to deny that these new-style bank balance sheets, with more trading assets than loans, are inherently more liquid than in the past. All the leading players have developed proprietary computer systems, which are capable of monitoring trading exposures on a variety of assumptions at the press of a button. They have risk-weighted capital disciplines that are far in advance of the current global guidelines laid down by the Bank for International Settlements.

As Salomon'e Deryck Maughan puts it, the big US commercial and investment banks are running larger market risks than five to 10 years ago. "But they are better equipped and better capitalised," he adds, "and have the capacity to manage these risks." Salomon, in fact, appears more highly leveraged than most (see table) and it would have taken a fall of only 3.9 per cent in the value of those financial instruments actually on the face of its end-1993 group balance sheet to wipe out the whole of its capital.

But the company has long argued that such conventional measures of leverage are misleading, because they give no indication of the quality or liquidity of assets, or the risk in off-balance sheet instruments. On its own preferred measure of working capital to equity, it has managed to reduce its leverage substantially since 1990, a period in which its conventional equity-to-assets ratio deteriorated and its off-balance sheet exposure exploded.

These sophisticated apologetics notwithstanding, the stock markets remain sceptical. One reason, according to John Kriz of the credit rating agency Moody's, is that over the past 20 years we have been told "by statesmen of the banking industry, and by technicians as knowledgeable in their particular areas as any derivatives specialists, that their activities were prudently controlled and did not entail excessive risk". Then came the third-world and real estate debt crises.

Another answer might be that new-style balance sheets, in which capital is perpetually expanding and contracting in volatile fashion, have not been tested in protracted bear markets. Moreover, while banks have reduced their own balance sheet leverage by increasing capital, the leverage inherent in the instruments and markets in which they deal has increased vastly. It is not simply that derivative instruments are, by definition, more volatile than the underlying cash markets. In effect, the banks are involved in a Faustian compact with the markets, whereby their own pursuit of profit can simultaneously jeopardise their capital.

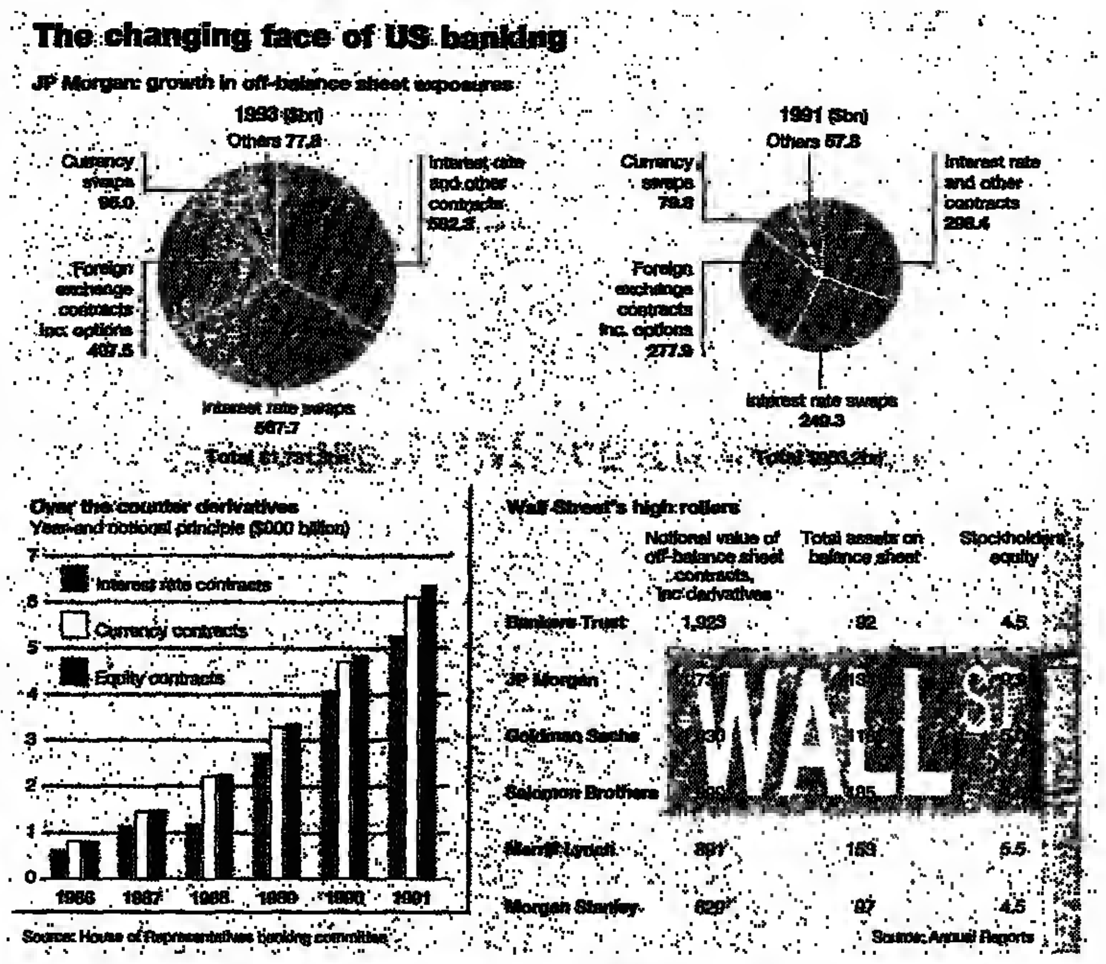
Hedging risk through options trading provides an example of the double-edged nature of the game. Because option portfolios continually become un-hedged through price movements and the passage of time, constant trading is necessary to re-establish the hedge. This is a marketmaker's dream. Yet re-hedging requires traders to sell into falling markets, which is inherently destabilising – especially when combined with margin and collateral calls. A reduction in risk for the individual hedger increases the aggregate risk in the market.

The leverage in instruments thet do not strictly belong in the derivative category can also be hnge, points out Stephen Thieke, co-head of corporate risk management at J.P. Morgan. Mortgage-backed securities are an obvious example. When interest rates rise, fixed-rate mortgage holders are slower to repay. The potential life of a mortgage-backed security is thus extended; and because investors receive their principal later, they lose the chance to reinvest at new, higher rates.

The duration of the mortgage component of the Lehman Brothers Bond Index, covering some $1,200bn of outstanding mortgage paper, rose in March from 3.47 years to 4.35 years following Fed tightening. Morgan's analysts calculate that to offset this increase in the duration of the portfolio – which is important for institutions that have to match their investments to liabilities that fall due over time – investors would have had to sell the equivalent of about $140bn of 10-year Treasury bonds or nearly $250bn of five-year Treasuries.

Some, says Thieke, would not have had to do so where, for example, they were tracking the mortgage-backed securities index. Even so, the astonishing magnitudes involved help explain why the US bond market has an inbuilt and growing tendency to overshoot. It is a tribute to those who have been playing these new, high-risk games that, in the bear garden that has prevailed since February, bankruptcies have been confined to marginal participants.

But the test is not over yet. The Fed will continue to raise rates; the banks will shed more of their $300bn-plus portfolio of public sector debt, as credit demand increases in a stronger economy; and US bond and income mutual funds could face withdrawals after years of positive cash flow. A further article next week will look in more detail at the risks to the system as these high rollers move through uncharted territory.



OBSERVER

Difficulties with a girl

■ John Smith's death may have thrown the Labour party into confusion, but at least there is now a bit of time in which to craft an elegant solution to the leadership quandary. Pity Bill Clinton, who has to make a hastier decision.

Into his diary for June 4 had been scheduled the US president'e first ever meeting with Smith – in Portsmouth so that he could step straight on to the D-day flotilla. What, though, does Clinton do now?

Acting leader Margaret Beckett seems to be viewed as a less than wholly suitable subject for Clinton's undivided attention – seeing that she won't get the job full-time.

If he embarks on a session with the entire party leadership, on the other hand, he could be accused of interfering. Some Japanese apparently took offence last July when Clinton earnestly chatted up Morohiro Hosokawa, then only the leader of a small political party, at a time when Kiichi Miyazawa was still prime minister.

It's a wonder he ever ventures out of the Oval Office at all.

Oiling the rungs

■ Oil explorers are not normally the politest bunch.

Hence there is some surprise at the remarkable civility of Enterprise Oil's hostile bid for fellow explorer Lasmo. Both sides have been busy dissecting each other's record and cost of finding oil, and have avoided getting into personal elanging matches about the size of the chairman's expense account, etc.

This may all change in a week or two. However, there is a possible explanation as to why Enterprise's criticisms of Lasmo management, a key part of its offensive, have so far been relatively muted.

Could it be that Graham Hearne, Enterprise's chairman and chief executive, may try to rally flagging City support for his bid by offering Joe Darby, Lasmo's chief executive, the same position in a combined company? That would be a bit tricky if he had trashed Darby's reputation in the battle.

Stranger things have happened. After all, Hearne is 11 years older than Darby and his reputation in the City would be enhanced if he agreed to split his own role as chairman and chief executive.

And no doubt the problem of what to do with Lasmo chairman Rudolph Agnew could be solved with a handsome cash settlement.

Going for gold

■ Broken Hill, Kalgoorlie..? Forget it.

The latest Australian gold mine is located far closer to the department of consumer affairs for New South Wales.

'I'm a mason'

Unfortunately, though, the government has noticed – and shut it down.

Since Sydney won the right to stage the Olympic Games in the year 2000, some 240 smart alicks have registered business names incorporating the likes of "Olympic", "Sydney 2000" and "Games City".

The idea is to flog them on, in due course and for a suitable sum, to the sports marketeers.

With local Olympic sponsorship revenues expected to exceed A$425m, the authorities have had a bit of a panic about how to protect their brand from "ambush marketing".

Hence the state law decreeing that entrepreneurs will need government consent to use any such title – which they won't get.

Pet hate

■ When is a leak not a leak? When it is "enterprised without our help". This was how Xerox explained why its new digital publishing strategy somehow appeared in the US press before being announced to an eager world.

In terms of business jargon, the US continues to lead the world. A Texas firm, for example, reported recently that one of the benefits of its labour-saving process was "retarded headcount growth".

But US jargon producers are facing increasing foreign competition. A college at Guildford, England, has just scrapped its four student faculties and replaced them with "curriculum delivery units".

Meanwhile, the World Society for the Protection of Animals has come up with a politically correct alternative to a pet. It is a companion animal.

Men only

■ Baroness Castle obviously still thinks that the status of honorary man is just too much. Known as the strong man of the Wilson cabinet when, in 1969, the then Barbara Castle unsuccessfully tried to reform the trade unions with her white peper "In place of strife", now, a quarter of a century on, the battle is still not won.

Is it not a breach of the Sex Discrimination Act 1975, she will ask Lord Wakeham, Leader of the Lords, for the term "My Lords" to be used to address a chamber of male and female peers of equal status?

Flagwaver

■ It sounds like Geoffrey Martin, the acting head of the European Commission's London outpost, has finally got the job as the EC's official London flagwaver.

A year has passed since John Drew quit the job and there has been strong pressure to reserve the post for a friendly Tory MEP who failed to win re-election next month.

Martin, 53, an Ulsterman, is not the normal kind of Brussels bureaucrat. He was president of the National Union of Students while at Belfast's Queen's University, then ran the housing charity, Shelter, and worked for the Commonwealth Secretariat before joining the Commission.

A European-friendly equivalent of Des Wilson, perhaps?

Stampede

■ Why were the naughty wildebeests the first to cross the plain?

Because bad gnus travel fast.

FINANCIAL TIMES
Wednesday May 18 1994

Impact softened by end to 'double-counting'

Lloyd's losses rise to £7bn on US liability

By Richard Lapper in London

Lloyd's, the London insurance market, yesterday reported a loss of £2.05bn for its 1991 year of account, bringing cumulative losses since 1988 to more than £7bn.

An increase in reserves to meet US liability claims, mainly from asbestos, pollution and other health hazards, was the single largest factor in the result, according to Mr David Rowland, Lloyd's chairman.

Mr Rowland said the loss would put further strain on Names, the individuals whose assets have traditionally supported the market, but dismissed fears that it would affect its ability to continoe trading.

"Lloyd's has had terrible losses but we will trade forward as certainly tomorrow as we have for the last 300 years," he said.

The market, which reports its results three years in arrears, softened the impact on Names by taking into account some £533m of so-called "double counting" for the first time.

This occurs when Names who have made losses make claims of their own against:

- "stop-loss" policies (which provide cover for losses over pre-set limits),
- "errors and omissions" policies (which give cover if agents are successfully sued for negligence), or
- "estate protection policies" (which cover the losses of deceased Names).

The elimination of donble-counting also allowed Lloyd's to reduce its 1990 loss, reported last June, by £596m to £2.32bn.

Lloyd's will allow Names to borrow against profits, which the market expects to make this year. Sharp rises in insurance rates over the last two years are allowing moet syndicates to underwrite profitably, with profits also expected for the 1993 year.

Managing agents, who administer syndicates, are being encouraged to defer cash calls when they have no immediate need for funds. Even so, Mr Rowland conceded that the market would call cash "of the order of £1.6bn to £1.7bn" this year. There are fears that many Names, especially those who are taking legal action to recover their losses, may be neither willing nor able to pay.

"The sums needed are usually only obtained with a mask, a gun and a getaway car," said Mr Tom Benyon, director of the Society of Names, which represents loss-makers. "The 'cannot and will not' losses will have to be picked up by other Names with the deepest pockets," he added.

Other critics suggest that the loss will impair Lloyd's ability to pass its annual solvency test, when the ability of Names to meet liabilities is assessed.

Mr Rowland insisted, however, that Lloyd's would meet all regulatory requirements.

Details, Page 8
Lex, Page 22

China agrees to talks about Hong Kong airport finance

By Simon Holberton in Hong Kong

Britain and China have agreed to meet on Friday to discuss the financing of the disputed Hong Kong airport project, in what will be their first such meeting since August last year.

The talks will mark another step towards normalising Sino-UK discussions on Hong Kong's future, although it is unlikely that the two sides will be able to announce a quick resolution of their two-year dispute about how to finance the airport.

Since March, there has been a move by Beijing to separate economic issues from those relating to Hong Kong's political reforms. It remains unclear, however, whether China will want to agree on an airport financing arrangement before the Legislative Council debates governor Chris Patten's controversial political reform bill at the end of June.

The Hong Kong government said yesterday it hoped the meeting of the airport committee would lead to early agreement. Officials said it should now be possible to make progress following background talks that have taken place in the past two months.

At issue in Friday's meeting is the split between debt and equity for the airport and its connecting railway. Together, these two projects will cost about HK$85bn ($11bn), prompting complaints from Beijing about the level of debt to be inherited in 1997, when it resumes control over the colony.

Two years ago, the Hong Kong government hoped that all but HK$16bn of the HK$85bn could be raised in international debt markets. But, in the face of Chinese opposition, the government has since offered to increase its equity contribution to HK$60bn.

Another issue which is important to China is the amount of land, principally alongside the airport runway, which will be sold to finance construction of the project. The Hong Kong government has maintained that the staggered release of this land, about 60 hectares in all, should be "additional" to the release of land governed by other Sino-British agreements.

The Chinese appear to object to this proposal, fearing that property prices might be upset by the additional land release.

However, the absence of an overall agreement on finance has not stopped the project, much of which is government funded and outside the ambit of Sino-British talks. But the Hong Kong government will have to face difficult decisions in coming months in the absence of an agreement with Beijing.

Globex dealt blow by Liffe refusal

Continoed from Page 1

have denied us further development of our preferred linkage strategy and would have meant withdrawal from our Euroyen discussions with Tiffe, Tokyo'a financial futures exchange," he said.

Liffe would also have been prevented from extending its automated trading system beyond the current hours of use. "These restrictive conditions were totally unacceptable to the Liffe board," Mr Durlacher said.

Ms Rosalyn Wilton, Reuters' managing director for transaction products, said although she was disappointed, she believed that Globex'a future was not dependent on the participation of large exchanges. She pointed to the success of Matif, the smaller Globex partner, whose products now account for 80 per cent of the volume on the system.

Nevertbeless, observers said Liffe's participation would have gone a long way in providing the critical mass which Globex needs to survive. Mr Alastair Smellie, a media analyst with the US investment bank, Lehman Brothers, said: "It is a disappointment, there are no two ways about it. The success of Globex is dependent on a critical level of volume."

Reuters is believed to have invested $100m in Globex, which it hopes will evolve into a worldwide, round-the-clock trading system. Since its launch in mid-1992, volume on Globex has been disappointing. Even this year, with volatile financial markets boosting derivatives contracts, volume remains below target. Shares in Reuters fell 7p to 485p in London, against a rising market.

Nuclear inspectors start key tour in N Korea

By John Burton in Seoul

The International Atomic Energy Agency will begio a critical inspection today of North Korean nuclear facilities that could prove to be a turning point in the dispute over Pyongyang's nuclear programme.

The ootcome of the inspection will determine whether the US will press for economic sanctions by the United Nations Security Council against the North or hold further high-level talks as demanded by Pyongyang.

The three-member IAEA team will try to fulfil two goals. One is to determine whether the North has removed, without international supervision, a substantial number of the 8,000 fuel rods that power its 5MW reactor, which would be a violation of tha nuclear non-proliferation treaty.

North Korea last week reported to the IAEA that it had started to replace some "damaged" fuel rods, but the extent of that operation is unknown. The US is worried the unsupervised removal of fuel rods would allow the North to divert the nuclear fuel for the production of four or five atomic devices.

Washington has warned that extensive removal of the fuel rods would force it to ask the UN for economic sanctions, though China has indicated that it would oppose such a move. The IAEA inspectors will also try to complete an examination of a suspected nuclear processing plant to which they were denied access in March.

North Korea is also barring the IAEA from access to two nndeclared sites that are believed to store nuclear waste.

The IAEA wants to examine the nuclear waste, in addition to the fuel rods, to determine whether the North has previously diverted plutonium from its reactor for its suspected nuclear weapons programme.

The IAEA has warned that if the inspection is not completed by mid-May, the ageocy will refer the nuclear dispute to the UN Security Council for action. But the North may only allow inspection of the two undeclared sites in return for US concessions.

Analysts believe the IAEA and North Korea may differ on the scope of the new inspections as they have done over previous checks.

Bnt Pyongyang is likely to make enough concessions to preveot the UN from proceeding with formal action against it.

The US has promised that if the current inspections are completed, it would hold another round of high-level talks with North Korea on possible diplomatic recognition and ecooomic aid.

THE LEX COLUMN

Hanson's cash flows

FT-SE Index: 3123.5 (+7.9)

The return to dividend increases at Hanson has come faster than expected. The conglomerate froze its dividend only last December as gearing levels mounted. On the face of it, the group's financial position has improved since then, but not that dramatically. Gearing at endMarch was 69 per cent compared with 86 per cent last September. But disposals brought in £898m, while share issues – mainly through the exercise of warrants – knocked another £116m off debt. Operating activities produced a post-tax cash outflow of £246m.

Hanson argues that the underlying position is better. Once one-off cash outflows associated with the Quantum acquisition, the Peabody coal strike and the change in the group's interest payments are taken into account, operating cash inflow was actually £100m. Moreover, Hanson's highly cyclical businesses have started to pick up and are expected to improve further in the second half. Volumes are going up and price rises can increasingly be made to stick.

Hanson says it is prepared to return to the acquisition trail if the right acquisition comes along at the right price. But a sizeable acquisition now would be premature. Investors will probably want first to see operating cash flow covering the increased dividend and gearing below 50 per cent. Still, such a prospect is not far away. The continuing economic recovery should see to cash flow. Meanwhile, the exercise of another tranche of warrants later this year ehould reduce debt by £200m with disposals next financial year bringing in perhaps a few hundred million pounds more. By this time next year, Hanson could be ready to leap.

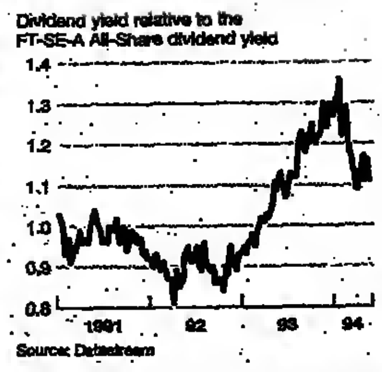
BOC

BOC spent most of last year trying to dampen the market's expectations, finally by announcing that, for the first time since the early 1970s, it would not increase its dividend. Yet yesterday's interim statement struck an optimistic tone, pointing to early signs of volume growth in gases. Since demand for gases is a fair indicator of industrial activity, that suggests consumer-led recovery in the Anglo-Saxon world is finally taking root in the wider economy.

Many of the special problems which afflicted BOC last year are also easing. The pharmaceuticals division seems to be recovering after losing the US patent on Forane, its staple anaesthetic. While there could be a relapse if more companies choose to manufacture cheap generic versions of the drug, BOC has moved to protect margins by cutting costs. Any further margin squeeze in industrial gases should also be offset by the benefits of restructuring. If prices start to rise, BOC will be well placed to benefit.

BOC

Dividend yield relative to the FT-SE-A All-Share dividend yield



Source: Datastream

The brighter outlook leaves the equity market in something of a quandary. After a decade yielding less than the market average, BOC's shares were pushed to a handsome yield premium last year. With the growth prospects seemingly restored the yield premium should logically be unwound. Yesterday's 4 per cent rise in the shares is a step in that direction. Having been so sorely disappointed last year, though, investors will be wary of taking a giant leap.

Allied-Lyons

Allied-Lyons' annual results produced a predictable combination of strength in spirits and retailing, offset by weakness in beer. Though tha joint venture with Carlsberg is improving after a disappointing start, it remains a drag on performance. The underlying contribution from beer to last year's earnings fell by 14 per cent even including the interest on the £135m cash payment from Carlsberg when the venture was set up. That will only reinforce the belief that brewing, like food, lacks a long-term future within the group. Meanwhile, though, Allied's management seems finally set to reap the benefits of the transformations it has wrought in spirits and retailing.

Like Grand Metropolitan, Allied has had its disappointments in the US spirits market, but it is making inroads in eastern Europe and Domecq should bring opportunities in South America. Similarly the improving quality of its pub estate and a greater focus on food helped produce a 7 per cent increase in underlying profits from retailing.

The test will be whether Allied can use this growing strength to generate more cash. Gearing fell only slightly last year to 70 per cent. Domecq produced only £9m in net cash last year, but this was after payment of £25m in dividends and there may be scope to reduce the £38m negative casb contribution from working capital. If it can start reducing its debt by generating cash from operations as well as disposals, Allied will be able to claim its strategy has been vindicated.

Lloyd's

It is the composition rather than the scale of Lloyd'a loss for the 1991 underwriting year that gives greatest cause for concern. Business actually written in 1991 showed an underwriting loss, but notably less than the previous year. If that improvement continues, policies now being written should be profitable. Yet Lloyd'a syndicates felt obliged to add £1bn to reserves to cover claims on policies written many years before. That is 70 per cent more than was set aside in the 1990 underwriting. While the pain from old years continues to mount, Names will not feel the benefit of business now being written.

How much more pain is to come remains a matter of conjecture. Proposals for reform of US Superfund legislation could belp reduce pollution claims. But the timing and impact of any reform is impossible to judge. Claims in areas such as asbestosis and professional indemnity insurance show no sign of abating. While Lloyd's appears to be better reserved than many US insurance companies, there is no way of knowing whether its reserves are sufficient.

The plan to ring-fence old liabilities within a new company still looks the best hope of solving the problem. If there are not enough reserves set aside already to make the ring-fence secure, though, Names will again be asked to contribute. An audit of liabilities and reserves across Lloyd's should give a clearer picture. The results of that audit, together with haggling in the US Congress over Superfund, will determine whether Lloyd's can escape the legacy of the past.

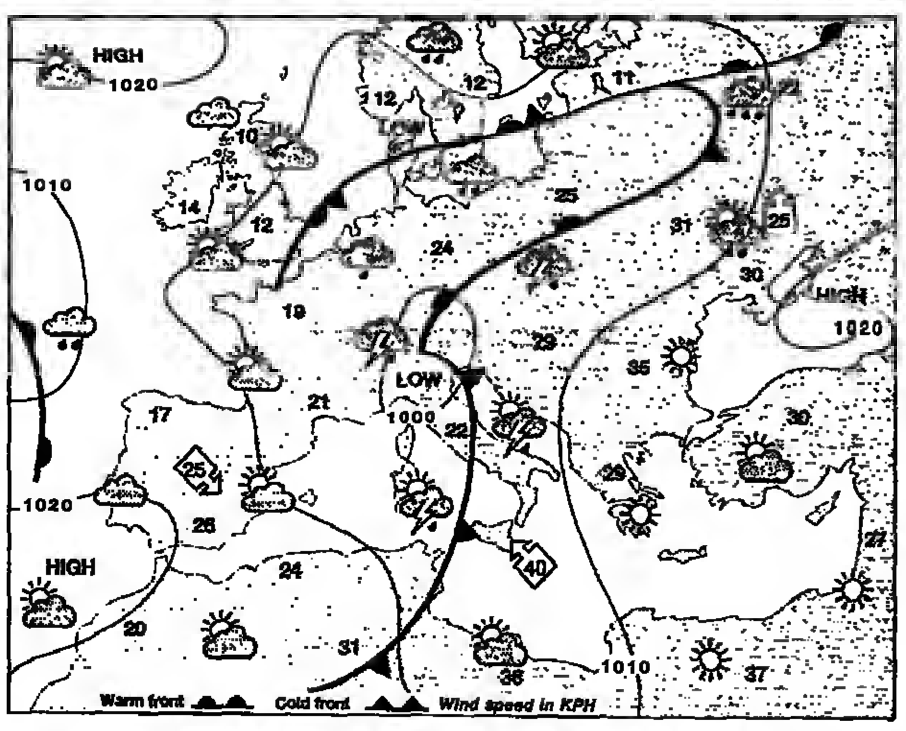
FT WEATHER GUIDE

Europe today

Low pressure will make most of Europe unsettled. A depression over northern Italy will cause thunder showers which will spread to central Italy, eastern France and the western Balkans. A westerly upper air current will direct broken cloud into Portugal and Spain, producing rain in northern regions. Warm, dry air from Africa will move into Greece, the Balkans and Turkey giving plenty of sun and temperatures rising quickly into the thirties. The Benelux, Germany, northern Poland and the Baltics will be cloudy. Showers will develop with a small risk of thunder. Finland will have some sun but southern Scandinavia will have scattered rain.

Five-day forecast

It will be warm and sunny over south-eastern Europe until late in the week when colder air accompanied by thundery showers will replace the warm air in the Balkans, Greece and Turkey. A depression reaching France on Thursday will linger during the weekend giving unsettled conditions over Spain, Portugal and the Low Countries.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	24	Caracas	cloudy	31	Edinburgh	fair	13	Madrid	cloudy	22	Rangoon	cloudy	33
	Celsius		Belfast	fair	13	Cardiff	cloudy	12	Faro	cloudy	20	Majorca	cloudy	24	Reykjavik	fair	9
Abu Dhabi	sun	38	Belgrade	fair	35	Casablanca	sun	20	Frankfurt	shower	22	Malta	thund	27	Rio	cloudy	24
Accra	shower	32	Berlin	shower	26	Chicago	sun	21	Geneva	rain	15	Manchester	fair	13	Rome	thund	22
Algiers	fair	24	Bermuda	fair	24	Cologne	cloudy	21	Gibraltar	cloudy	23	Manila	thund	34	S. Frsco	fair	17
Amsterdam	cloudy	14	Bogota	fair	20	D' Salaam	shower	30	Glasgow	fair	14	Melbourne	cloudy	14	Seoul	fair	16
Athens	sun	29	Bombay	sun	34	Dakar	sun	25	Hamburg	drzzl	17	Mexico City	fair	23	Singapore	thund	32
Atlanta	sun	26	Brussels	shower	17	Dallas	thund	29	Helsinki	sun	13	Miami	thund	31	Stockholm	fair	13
B. Aires	fair	20	Budapest	fair	32	Delhi	sun	40	Hong Kong	cloudy	29	Milan	thund	21	Strasbourg	thund	18
B.ham	cloudy	12	C.hagen	drzzl	15	Dubai	sun	38	Honolulu	fair	31	Montreal	rain	11	Sydney	cloudy	21
Bangkok	fair	35	Cairo	sun	37	Dublin	cloudy	12	Istanbul	sun	29	Moscow	shower	22	Tangier	fair	18
Barcelona	fair	21	Cape Town	sun	20	Dubrovnik	thund	23	Jersey	rain	13	Munich	thund	19	Tel Aviv	sun	33
									Karachi	sun	34	Nairobi	shower	22	Tokyo	cloudy	23
									Kuwait	sun	38	Naples	thund	26	Toronto	fair	16
									L. Angeles	fair	18	Nassau	fair	30	Vancouver	fair	16
									Las Palmas	sun	22	New York	shower	18	Venice	thund	23
									Lima	cloudy	21	Nice	thund	20	Vienna	thund	29
									Lisbon	cloudy	19	Nicosia	sun	30	Warsaw	cloudy	27
									London	drzzl	15	Oslo	cloudy	12	Washington	shower	18
									Lux.bourg	shower	18	Paris	shower	21	Wellington	fair	15
									Lyon	thund	17	Perth	fair	23	Winnipeg	fair	25
									Madeira	fair	22	Prague	thund	25	Zurich	rain	14

FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1994
Wednesday May 18 1994

IN BRIEF

Consolidations help WestLB

Group earnings at WestLB, the largest of Germany's public sector banks, more than doubled to DM481m ($288m) following the first-time consolidation of the Thomas Cook group and the Landesbank Rheinland-Pfalz. Page 16

Astra benefits from volume growth
Strong volume growth helped Astra, the Swedish pharmaceuticals group, lift first-quarter pre-tax profits by 15 per cent to SKr2bn ($260m), maintaining its momentum as one of the world's fastest-growing drugs groups. Page 16

Efficiency boosts Thai airline
Thai International Airways has reported e steep increase in interim net profits mainly because of improved efficiency. Page 17

SEC concerned at investor lawsuits
The growing number of US shareholder suits has prompted the Securities and Exchange Commission to consider ways of protecting companies from fraud claims unless the information they release is "without a reasonable basis or was disclosed other than in good faith". Page 18

Hewlett-Packard beats competitors
Hewlett-Packard, the US computer and electronics manufacturer, reported strong growth for its second fiscal quarter as it outperformed its largest competitors. Page 18

Sales and profits grow US stores
J. C. Penney and Dayton Hudson, two of the biggest US store groups, both reported sharp increases in sales and profits for the first quarter to April. Page 18

Higgs & Hill announces share issue
Higgs & Hill has announced e share issue to pay for housing land purchases. The UK builder is seeking to raise £22.2m. Page 20

Redrow opens at discount
Redrow, the latest UK housebuilder to come to the market, ended its first day dealing with the shares trading at 128p – a 5 per cent discount to the issue price of 135p.
More than 16m shares in Nightfreight, the express parcel group, are being placed at 105p to raise £16.1m. ($71m).
Pillar Property Investments yesterday became the ninth property company of the year to launch a flotation. It hopes the exercise will value the company at more than £175m.
Amey Holdings, the UK's sixth biggest road builder, plans to raise £10m when it comes to the market next month. Page 20

BOC points to economic upturn
BOC, the UK industrial gases and healthcare group, said economic recovery was boosting sales volumes. Page 21; Lex, Page 14

Green light for pulp mill
A project to build the world's largest chlorine-free pulp mill – in western Finland – was finally given the go-ahead last week. Page 26

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
[illegible]	249.5	-	18.5
[illegible]	168.3	-	4.3
IKB Deutsche	259	-	6.5
Kaufhof	521	-	15.5
Lufthansa	190.2	-	11.3
Rosenthal	283	-	8.8
NEW YORK ($)			
Rises			
Fieldcrest	28¾	+	2¾
Falls			
BMC	13⅛	-	1⅛
Lomas Fin	5¼	-	2¼
Micron Tech	39	-	2⅝
[illegible]	27¼	-	4¼
[illegible]	31	-	1⅛
PARIS (FFr)			
Rises			
Docks de France	757	+	19
Dollfus Mieg Cie	424	+	17.1
Paris Rescompt	437	+	14
Falls			
AGF	530	-	11
BIC	1350	-	43
Casino	166.5	-	4.1
TOKYO (Yen)			
Rises			
Iseki	407	+	17
Royal	1520	+	50
Showa Sangyo	575	+	24
Toshiba Eng	1160	+	40
Falls			
Fuji Spinning	842	-	17
Tsubakimoto Chain	533	-	16

New York prices at 12:30.

LONDON (Pence)			
Rises			
ASW	118	+	8
Abacus	201	+	17
BOC	715	+	29
Carr's Milling	209	+	18
[illegible]	14	+	2½
[illegible]	394	+	18
[illegible]	188	+	10
[illegible]	364	+	20
Goldsmiths	118	+	5
Pentos	221	+	13
RTZ	867	+	20
[illegible]	300	+	13
Tadpole Tech	285	+	12
Wolseley	521	+	18
Falls			
Bakyrchik	315	-	10
Bluebird Toys	618	-	25
[illegible]	405	-	15
Higgs & Hill	122	-	10
Micro Focus	1028	-	42
Portals	790	-	15
Sedgwick	197	-	5

Microsoft unleashes 'Tiger' into interactive TV arena

By Louise Kehoe in San Francisco

Microsoft, the leading personal computer software company, has pounced on the emerging market for computer systems used to deliver interactive television services, with software codenamed "Tiger".

Microsoft, in collaboration with Compaq Computer and Intel of the US, claims to be able to provide cable television companies and telephone companies with "media server" systems at e fraction of the cost of interactive television technologies developed by competitors. Systems developed by International Business Machines, Digital Equipment, Hewlett-Packard and Oracle have already been adopted for trials of interactive TV.

Media servers are the computers used to store and retrieve digitised video and audio signals for services such as video-on-demand, interactive TV shopping and interactive TV channel guides. Anticipated applications include hotel and airline entertainment systems, video messaging and corporate multi-medie networks.

Microsoft's competitors have developed media servers based on supercomputers and mainframe computers, but Tiger software can be run on inexpensive microcomputers, claims Microsoft. Mr Nathan Myhrvold, Microsoft senior vice-president of advanced technology, said: "Once you have the right software, you can implement [video-on-demand] in many ways." Tiger software would allow computer systems to be expanded with extra microprocessor chips.

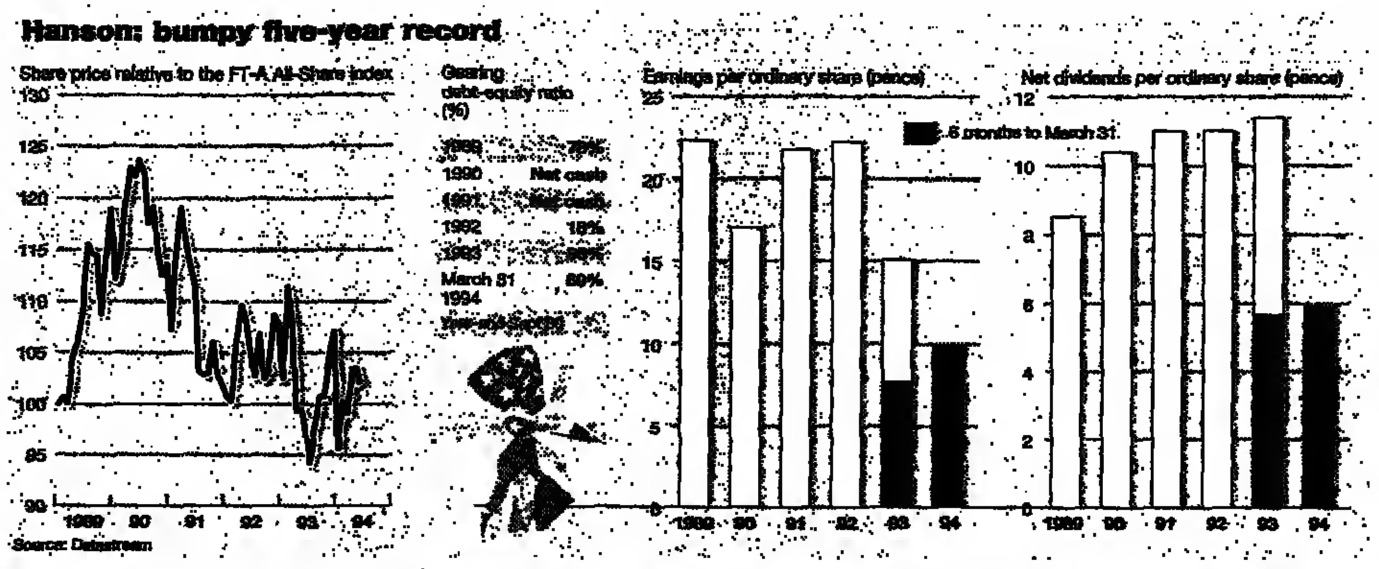
Yesterday the companies demonstrated a prototype system based on 16 Intel Pentium microprocessors, capable of delivering more than 3,000 video signals simultaneously. Viewers could chose from among more than 50 films and control the video signals as if they were running on a home video cassette recorder.

PC manufacturers are expected to offer Tiger servers for small and medium-sized applications, such as corporate networks, while Intel will offer larger scale multi-media servers for public networks.

Competitors have called Microsoft's approach to media server software a "paper tiger". Tiger will be tested by Tele-Communications (TCI) in an interactive television trial in Seattle, Washington, later this year.

■ First-half profits up to £683m ■ Bonham looks for acquisitions

Hanson raises dividend



By Maggie Urry in London

Hanson surprised the London stock market yesterday by increasing its quarterly dividend, from 2.85p to 3p, when announcing half-year pre-tax profits up from £507m to £683m ($1bn), a figure buoyed by £333m of disposal profits.

Lord Hanson, chairman of the Anglo-American conglomerate, also gave an upbeat view of trading, saying "our return to profit growth at the operating level is now established".

Mr Derek Bonham, chief executive, said economic recovery in the US and UK, an accelerating trend in underlying profits growth, the resolution of uncertainties such as the US coal strike, and the improvement in the group's balance sheet meant "we feel positive enough to increase the dividend".

He said Hanson would not have raised the dividend unless it was sure the new level was sustainable. Fully-diluted earnings per share rose from 7.7p to 9.9p in the six months.

He added that the dividend increase put Hanson on one of the highest yields in the FT-SE 100 index. The stock market started to erode that yield by pushing the share price 5½p higher to 268½p at the close. The initial reaction had been better, though, with the shares jumping to 273p before easing back.

Some analysts, who had not expected a dividend increase for another three or six months, applauded the move but others questioned whether it was prudent. One said: "They are already paying a high dividend. There is no reason to pay more." He added that last year's dividend had been covered by earnings only 1.3 times – "a very uncomfortable ratio compared with the rest of UK plc". Another suggested Hanson had "an in-built desire to please the market and get the share price up" to use shares for acquisitions, and that had prompted the increase.

It was the first rise in the quarterly dividend since December 1992. In December last year, when reporting full-year figures, the 1993 final dividend was not increased for the first time in the group's 30-year history.

Mr Bonham said underlying operating profits rose 8.4 per cent in the half-year to March 31, with the pace quickening between the first and second quarters. Quantum Chemical, the US polyethylene and propane group bought last September for £2bn, had added to earnings in its first six months, contributing £70m of profits before £40m of interest costs.

After the Quantum deal Hanson's gearing rose to 86 per cent, but a disposal programme had cut it to 69 per cent at the end of March. With an expected further reduction in the second half, Mr Bonham said: "We're prepared to look at acquisitions."

Details, Page 20; Lex, Page 14

Spirits help Allied-Lyons advance

By Paul Taylor in London

Allied-Lyons, the UK-based drinks, food and retailing group which is paying £740m ($1.1bn) for control of the Pedro Domecq, the Spanish drinks producer, yesterday reported a 20 per cent increase in full-year pre-tax profits to £606m.

The figure, struck after £26m of additional pension costs, compares with £505m the previous year when profits were reduced by £64m of restructuring charges. Currency movements added £6m.

Excluding the charges, pre-tax profits increased by 9 per cent in the year to March 5 on turnover up 4.9 per cent at £5.53bn.

Earnings per share benefited from a lower tax charge and advanced 25.1 per cent to 36.7p. A final dividend of 14.9p raises the total from 21p to 22.2p, but the shares closed 4p lower at 559p.

Mr Tony Hales, chief executive, said the year was one of "solid performance in still tough market conditions" and added that the current year "has started satisfactorily".

Gains in spirits and retailing, which contribute 80 per cent of group trading profit, offset a weak performance by the Carlsberg-Tetley brewing joint venture formed in December 1992. Overall trading profits increased by 10.3 per cent to £821m, reflecting the absence of restructuring costs. By far the biggest contributor was the Hiram Walker spirits division, which raised its profits by 5.1 per cent to £434m and widened its margins. In Scotch whisky, Ballantine's, the group's most important brand, maintained overall volumes with gains in duty-free sales, Greece and eastern Europe, offsetting lower volumes in Spain, France and Germany, while Teacher's volumes rose by 13 per cent.

Excluding charges, pre-tax profits rose by 9 per cent

Beefeater gin continued to grow in Spain, duty free and in the UK where sales were up 25 per cent, but US volumes were affected by destocking and its total volumes were marginally lower.

From today the Spanish group Domecq, which sells 19m cases of spirits and 5m of wine, will become part of the division.

Retailing profits increased 7.2 per cent to £209m, with the group's pub companies which generate about 70 per cent of sector profits, increasing their contribution despite a reduction in average pub numbers by 403 to 4,279.

Trading profits from the brewing division, which now includes the Carlsberg-Tetley joint venture, the group's Dutch Brewery and a 22.5 per cent stake in Britannia Soft Drinks, increased from £91m to £96m. However, Mr Peter Macfarlane, finance director, cautioned that like-for-like earnings from the joint brewing venture fell by 14 per cent.

In the food manufacturing division Lyons' trading profits were slightly ahead at £87m (£86m).

Lex, Page 14

Banks hold out on loan to Eurotunnel

By Robert Peston

A dozen international banks with substantial exposures to Eurotunnel were last night refusing to provide new senior debt for the Channel tunnel operator's refinancing.

Yesterday evening, 24 hours after the formal deadline for raising the funds, members of Eurotunnel's 200-bank syndicate had made commitments to provide just over £500m ($750m) of the new debt, still well short of the £700m target.

The company has also not yet received formal approval from banks for its refinancing, including changes in its loan agreements, to avoid it being in breach of covenants. Votes have been received from 80 per cent of banks, compared with the 90 per cent majority required.

About half of the recalcitrant banks are Japanese. However, a principal lender to the group said that some European banks had also not yet made any commitments to provide the new funds.

"It is all moving in the right direction, albeit slowly," a European banker said. He was hopeful that those big banks holding out would eventually provide the funds and vote in favour.

He said it would be harder to achieve the target if the banks holding out were the ones with small exposures to the company's commercial debt of £6.8bn.

Until the banks have guaranteed to provide the senior debt and purge the breaches in loan covenants, Eurotunnel cannot launch its rights issue to raise e further £850m in equity, around 20 per cent more than the stock market had originally been expecting.

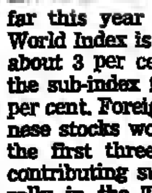
Yesterday Eurotunnel gained permission from its shareholders at an extraordinary general meeting to issue an additional 150m units – which twin a Eurotunnel plc share with a Eurotunnel SA share – in the rights issue.

The company has permission to issue 342m units, worth £1.38bn at yesterday's closing price of 405p per unit. But Eurotunnel emphasised that the size of the authority did not indicate the size or price of the rights issue.

Sir Alastair Morton, Eurotunnel chairman, said after the meeting that it would probably try to raise total debt and equity of about £1.6bn if it opted for an equal mix of loan and share capital in the refinancing.

Barry Riley

Searching for liquidity in trendless Japan



Global investors heve punted heavily in Japanese equities in recent months, and the tactical shift has been nicely rewarded in the short term. So far this year the FT-Actuaries World Index is showing e gain of about 3 per cent in dollars, but the sub-index for Japan is up 20 per cent. Foreigners bought Japanese stocks worth $33.5bn net in the first three months of 1994, contributing substantially to the rally in the Tokyo market and also to the strength of the yen. Meanwhile the Japanese were net sellers of foreign securities, to the tune of about $9bn (mainly reflecting a $13bn sell-off of bonds in March).

Whether these speculative portfolio movements have done anything to cure Japan's economic woes is a moot point, however. Real GDP has been more or less unchanged for two years now. With consumer prices up just 0.8 per cent year-on-year, Japan teeters on the edge of deflation: indeed, on the basis of wholesale prices falling at nearly 3 per cent e year, it is already there. The capital flows are serving to aggravate the problem of an over-valued yen, adding to the impact of the obstinately durable $130bn current account surplus. Moreover the purchases of equities by foreigners are essentially being mopped up by banks and are not contributing to liquidity growth which might stimulate demand in the broader economy.

Some of these issues are addressed in an in-depth study from Jardine Fleming's Toyko economist Richard Werner, who has conducted an extensive analysis of liquidity in Japan. He has constructed several indices of liquidity which suggest that the recent slight upturn in the conventional monetary indicators may be misleading: the M2 plus certificates of deposit aggregate, shrinking in 1993, has recently been growing at about 2 per cent, but liquidity on most of JF's definitions remains flat.

During the 1980s private liquidity in Japan was growing at around 12 per cent e year while nominal GDP was rising at only about 5½ per cent: the excess fuelled the great asset price bubble. By 1991 some 40 per cent of outstanding bank credit was directed to speculative areas such as property and finance. If only half of these are eventually paid back the bad debts would be 20 per cent of outstanding loans. Many financial institutions have become technically insolvent.

Japan's sick economy requires not tender care but major surgery

Shell-shocked banks cannot be substantial sources of new credit in these circumstances. Spending packages by the government have had little effect because they have been offset by bond issues which have drained liquidity out of the economy again. Only if the Bank of Japan prints money can the economy grow – but the BoJ is terrified of creating inflation and/or another asset price bubble.

As for the foreign portfolio inflows, much of the supply of stock will have come from banks seeking to book profits to strengthen their balance sheets. There are no significant new issues of the kind which pumped huge amounts of liquidity into the US corporate sector.

So will the BoJ respond? Perhaps: Richard Werner says cautiously that there have been signs of a policy shift. Recent foreign exchange intervention has not been sterilised as was previously the rule, and his leading liquidity index has jumped, although the broad liquidity index remains subdued. More evidence of an aggressive policy is required: without it the Japanese economy will go nowhere.

Foreign investors could now be tempted to take some profits. At the very least they will need to think about hedging their yen exposure, because a recovery in the economy in general and in profits in particular will require even lower short-term interest rates (now only just over 2 per cent) and e weaker yen to stop the erosion of wholesale prices.

The bulls argue that Tokyo is the only major stock market currently nowhere near its historical highs. That provides a tempting but dangerous recovery prospect: Japan has a profoundly sick economy that requires not tender care but major surgery. Asset prices are still too high, but they have to be sustained at levels which damage the real economy because otherwise the banking system would be undermined.

Foreigners may profitably job in and out of these distortions but they would be unwise to make long-term commitments.

WestLB advances after Thomas Cook inclusion

By Michael Lindemann in Düsseldorf

Group earnings at WestLB, the largest German public-sector bank, rose 106 per cent to DM481m ($289.7m) in 1993, following the first-time consolidation of the Thomas Cook group and the Landesbank Rheinland-Pfalz.

Mr Friedel Neuber, chief executive, said: "1993 was an exceptional year in terms of earnings, a result which cannot be repeated very quickly."

He added that the first quarter of 1994 had been "satisfactory", although operating profits of DM142m were 9 per cent below last year's levels. Mr Neuber forecast the bank would present "satisfactory" 1994 results due to "a more positive economy and our good condition".

About a third of 1993 profits came from foreign business. The group plans to expand its operations in Asia and eastern Europe in the coming year.

The bank plans to concentrate its property interests in Immobilienbank, to be headquartered in Mainz and run jointly with SüdwestLB and the Landesbank Rheinland-Pfalz.

WestLB said it had lost DM140m in two developments run by Mr Jürgen Schneider's property group. However, the "risks had been adequately covered", the bank said.

Although Mr Neuber said Germany was pulling out of an 18-month recession, the bank raised bad-loans provisions in 1993 by 35 per cent to DM973m.

Earnings at the bank rose 48 per cent to DM1.281m and profit from trading on its own eccount 34.5 per cent to DM398m. Before provisions, operating profit rose 66.1 per cent to DM1.767bn, up from DM1.064bn the year before.

Skopbank lines up Freb sale

By Christopher Brown-Humes

Skopbank, the Finnish state-owned bank, yesterday announced a preliminary agreement to sell the Finnish Real Estate Bank (Freb), its largest subsidiary, for about FM470m ($87m).

The purchaser is Finvest, a development company focusing on industry and banking, and the parent of Interbank, the Finnish commercial bank.

The sale reflects Skopbank's new focus on corporate and wholesale banking. Its role as the central bank in the Finnish savings bank system has been sharply reduced after last year's dismemberment of the Savings Bank of Finland.

Skopbank said it no longer needed Freb's balance sheet for the purpose of advancing loans.

Freb is e mortgage banking operation concentrating on long-term secured lending.

Total assets at the end of 1993 amounted to FM9.1bn, and shareholder equity and reserves were FM480m.

Mr Heikki Järvi-Eskola, Skopbank chief controller, said the deal would have minimal influence on Skopbank's long-term earnings potential or capital adequacy.

He said the bank, which has been the biggest casualty of the Finnish banking crisis, was still likely to need further state support.

It has already received FM17bn in assistance since being rescued by the Bank of Finland in 1991.

Lindt plans to buy Austrian confectioner

Lindt & Spruengli, Switzerland's oldest chocolate maker, plans to take over the troubled Austrian confectioner Hofbauer, Reuter reports from Zurich.

Lindt signed a letter of intent with Hofbauer on May 11 and e definitive takeover of the Austrian company is planned for June, according to Austrian media reports.

The unlisted family-owned Austrian company made a loss in 1993 of Sch24m ($2.05m), but was reported to have blamed this on the loss of a big client and construction costs.

Hofbauer is reported to have bank debts of Sch330m. Lindt reported e 1993 group net profit of SFr39.8m ($28m).

Completion of rights auction boosts Ciga

By Andrew Hill in Milan

Shares in Ciga, the Italian luxury hotel chain, yesterday rose nearly 7 per cent to L1,188 from L1,112 as it became clear the group had successfully auctioned the outstanding rights to its shares.

The auction and the preceding L1,000-a-share rights issue were supposed to fail, delivering a majority of shares to Ciga's creditor banks and then to ITT Sheraton of the US, which had offered L740 a share for the company.

Instead, Ciga said yesterday the auction and rights issue had raised L1,003bn ($593m).

Since the rights issue was launched on March 17, Ciga's shares have consistently traded at well above the issue price.

ITT Sheraton's threat to withdraw from the bidding et the end of last month failed to dent investors' enthusiasm.

The company is likely to try to strike a separate deal with the banks to write off part of its L954bn of short-term debt. The funds raised will be used to repay most of the outstanding overdraft and take care of day-to-day operations.

Several investors are thought to hold small speculative stakes in the company, and will have to declare any holdings above 2 per cent within 30 days.

Austrian brick group posts strong advance

By Patrick Blum in Vienna

Wienerberger Banstoffindustrie, Austria's largest building materials group and one of the two largest brick manufacturers in Europe, yesterday reported e strong rise in profits for last year. It raised its dividend to 37 per cent compared with 34 per cent in 1992.

Group profits before tax were Sch938m ($80m) – up almost 50 per cent on the Sch626m achieved in 1992 – on sales of Sch12.1bn compared with Sch11.7bn in 1992.

Mr Erhard Schaschl, chief executive, said pre-tax profits would continue to rise this year, to around Sch1.1bn. He suggested the group would probably further increase its dividend in 1994.

Wienerberger is the largest producer of bricks in Austria, Germany and Hungary, and it has an important share of the market for pipes.

Its main shareholder is Creditanstalt-Bankverein, Austria's second-largest bank, which has a 51.6 per cent stake. The remaining capital is dispersed among private shareholders. It is one of the most liquid shares on the Vienna stock exchange.

● Treibacher Chemische Werke, Wienerberger's troubled alloys subsidiary, made a pre-tax loss of Sch113m, down from Sch157m in 1992. Turnover declined from Sch3.3bn in 1992 to Sch2.96bn last year.

MoDo names new group chief

MoDo, one of Sweden's leading pulp and paper groups, yesterday announced the appointment of Mr Bengt Pettersson as group chief executive from August 1, writes Christopher Brown-Humes.

He will succeed Mr Bernt Löf, who is stepping down after nine years in the position.

Mr Pettersson, 55, is managing director of Stora Billerud, e packaging unit within Stora, Europe'a biggest pulp and paper group.

Astra lifted by 28% sales growth

By Christopher Brown-Humes in Stockholm

Strong volume growth helped Astra, the Swedish pharmaceuticals group, lift first-quarter pre-tax profits by 15 per cent to SKr2bn ($260m), maintaining its momentum as one of the world's fastest-growing drugs groups.

The result was struck on a 28 per cent increase in sales, to SKr6.4bn, with the group's two main drugs – Losec and Pulmicort – performing strongly. Operating earnings were 52 per cent higher at SKr2.05bn.

Astra noted that, adjusted for currency factors, sales grew by 24 per cent, a bigger rise in volumes than last year and much better than the market average.

However, it said the pace of sales growth had weakened because currency movements were not as beneficial as last year's. It said the same factor would slow the pace of sales and earnings growth over the full year, although both are expected to continue to develop favourably. Last year, group pre-tax profit amounted to SKr7.8bn.

Losec, the anti-peptic ulcer agent and one of the world's top-selling drugs, saw sales expand by 49 per cent to SKr2.24bn in the first quarter. Including sales through licensees, sales grew 50 per cent to SKr3.95bn.

Sales of Pulmicort, an anti-asthma agent, were 32 per cent higher at SKr850m. Plendil, an anti-hypertensive agent, increased sales by 41 per cent to SKr273m.

Astra was particularly encouraged by its performance in Germany, its largest market, where sales rose 32 per cent in local currency terms, compared with estimated market growth of 7 per cent. The performance was driven by improved sales of Losec, even though a German health regulator has been looking into possible elde-effects of the drug.

Astra noted the German market was "now recovering from the effects of political intervention in early 1993".

Sales in the UK, the group's second-largest market, climbed 53 per cent.

Astra said its pre-tax performance was held back by an (unrealised) drop in the value of its bond portfolio – blamed on increased interest rates at the end of the quarter – and exchange losses. These resulted in net financial expenses of SKr52m, compared with income of SKr344m in the same 1993 period.

Analysts are looking for full-year profits of between SKr9.5bn and SKr10bn.

Shake-up at Banesto unit

By Tom Burns in Madrid

Banesto, the Spanish bank acquired by Banco Santander last month in the largest domestic takeover, hes announced a Pta12.6bn ($91m) capital increase for Agroman, the loss-making construction group in which it has a 57 per cent holding.

The decision to rescue the group is Santander's first look at tackling Banesto'e industrial empire.

The fresh funds, which will double Agroman's shareholder capital to Pta25bn, will seek to eliminate the company's heavy financial costs and, according to Banesto, "put [Agroman's] financial structure on e level with the best companies in the sector".

A recent audit by Price Waterhouse put Agroman losses et more than Pta10bn. Banesto said it was prepared to subscribe the entire capital increase on e one-for-one basis.

Analysts said the capital injection amounted to a mere accounting entry on the part of Banesto, and would have a neutral impact on the bank's balance sheet. They said Banesto would be simply capitalising loans to Agroman which had already been provisioned.

The move fuelled speculation that Banesto, under its Santander parent, was preparing for the disposal of the construction company. "The new capital makes Agroman saleable," said Mr Jaime Mariategui of the Madrid financial consultancy firm Research Associates.

Santander eschewed industrial investments several years ago, and its $2bn takeover of Banesto was aimed at gaining the bank's widespread branch network. It is understood Santander will, over time, sell off the companies within Banesto.

Bertelsmann to split into four units

By Michael Lindemann

Bertelsmann, the leading German media group, yesterday announced e restructuring plan following the collapse of Vox, its private television channel.

An important element is the splitting of the group into four divisions: books, industry, entertainment and press.

Mr Manfred Lahnstein, head of Bertelsmann's electronic media division which included Vox, has been appointed to head the supervisory board. He takes over from Mr Karl Otto Pöhl, the former Bundesbank president, who is stepping down.

Vox, the Cologne-based TV channel, collapsed last March, 14 months after its launch. Its fall caused estimated losses for Bertelsmann of DM160m ($94.1m).

Bertelsmann was previously divided into seven divisions, some determined by outdated geographical considerations, the company said. The new structure would make the company slimmer, faster and more effective, it said. "The point is to enable business areas which work together to be better in tune with each other."

The group recently reported that earnings for the six months ending December were well above budget and likely to exceed the 1993 results.

Austrian carrier expects to break even this year

Austrian Airlines should break even this year, according to Mr Mario Rehulka, the joint chief executive, Reuter reports from Vienna.

Plans presented at yesterday's annual meeting see turnover rising to Sch11.1bn ($917m) from Sh110.5bn, while pre-tax losses should be cut to Sch351m from Sch728m. Net losses are forecast at Sch140m, but it should be possible to cancel these with cost cutting, Mr Rehulka said.

● Bayer, one of Germany's big three chemical groups, will acquire two units of Veba's rubber subsidiary, Huels, Reuter reports from Leverkusen.

Portugal to privatise majority Cimpor stake

By Peter Wise in Lisbon

Portugal is to privatise a majority of the capital of Cimpor, the country's largest cement producer, by mid-1995, in three tranches beginning next month. The company has been independently valued at more than Es200bn ($1.2bn).

Mr Antonio de Sousa, secretary of state for finance, said a 20 per cent stake would be sold on the Lisbon stock exchange in June. A second tranche of between 20 per cent and 25 per cent would be sold to foreign investors in an offering on foreign exchanges later this year.

The final tranche of between 20 per cent and 30 per cent would be sold in the first half of 1995, giving private shareholders control of the company, he said.

The June sale will embody Portugal's recently-revived policy of advancing popular capitalism by offering up to 35 per cent of the shares on sale at e discount to small savers.

A total of 14m shares will be sold at a fixed price of Es2,900 each. However, 25 per cent will initially be reserved for employees at Es2,600, and for small investors at Es2,700. This tranche will be increased to 35 per cent if there is sufficient demand.

INTERNATIONAL COMPANIES AND FINANCE

Thai airline posts sharp increase after six months

By William Barnes in Bangkok

Thai International Airways yesterday reported a steep increase in net profits for the six months ended March, due largely to improved efficiency.

Six-month profits were Bt2.28bn ($89.8m), up 300 per cent, following a 166 per cent rise in second-quarter net profits to Bt1.19bn.

The airline has been a private sector company since March 1992 when just over 7 per cent of the company was floated on the Bangkok stock market.

Since the flotation it has been criticised by airline analysts for propping up weak operating results with extraordinary income, notably from aircraft sales.

However, Mr Thamnoon Wanglee, president, appears to be creating a leaner organisation.

Revennes from transportation, the core income, rose 10.8 per cent over the year while operating expenses went up by only 2 per cent.

"This is encouraging, although it is still too early to say if they have turned the corner or not," said an analyst at brokers HG Asia.

Although the current load factor (passengers and cargo carried) is 70.3 per cent, compared with 65.8 per cent last year, this does not translate directly into higher profits because the airline currently targets economy-minded Asian passengers.

Previously it sought primarily high-spending business and first-class passengers.

The break-even load factor is nearer 66 per cent compared with 62 per cent a year ago.

That Thai still finds unconventional revenue useful is shown in a comment from the company that second-quarter revenues of Bt2.42bn would have been higher but for a delay in the delivery of a Airbns A300-600 which also delayed a "concession payment".

Mr Sriyan Pietersz, head of research at Smith New Court in Bangkok, said: "When Thai buys an aeroplane at a theoretical discount it books the discount as a cosmetic profit."

Thai International predicts a net after-tax profit for the year of Bt4.5bn.

This compares with a forecast of Bt3bn from Smith Naw Court which does "not including any fancy footwork in the accounts".

In 1992-93, net profits at Thai fell 67 per cent, a result that the airline openly acknowledged as below budget.

Thai's regional flights in Asia tend to be profitable, but its intercontinental and domestic services perform poorly.

The airline has been working on a plan to reform its accounting system to produce an accounting format more familiar to foreign investors.

Fujita hit by Tokyo property downturn

By Paul Abrahams in Tokyo

Fujita Corporation, a second-tier Japanese construction company, yesterday reported pre-tax profits down 44 per cent to Y18.77bn ($179m) for the year ended March.

The company said the downturn reflected the poor state of the domestic property market. Fujita is particularly exposed to the badly-hit Tokyo property market.

Fujita warned it would be forced to cut its dividend in the current year from Y10 per share to Y7.5.

"We faced tough times because of the fall in orders for plant and office buildings from the privata sector, although public works orders and investment in new homes were firm," said the company.

Group turnover fell 14.4 per cent to Y727bn, while post-tax profits tumbled 39 per cent to Y8.6bn. Earnings par share declined to Y17.46 from Y28.54.

The group said it expected construction orders to remain slow during the current year because private companies were unlikely to increase capital investment.

It forecast that pre-tax profits for the year ending next March would fall further to Y12bn.

Earnings per share would fall to Y13.15, but sales would increase to Y750bn.

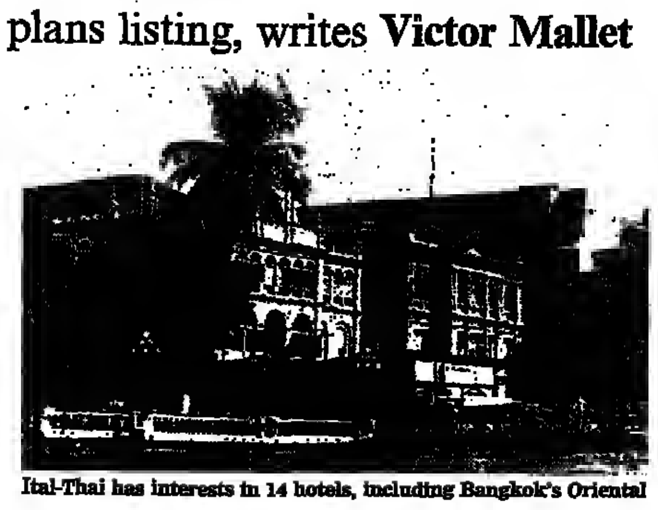
Flotation may help ITD build on past successes

Thai contractor plans listing, writes Victor Mallet

Italian-Thai group, one of the biggest and most successful conglomerates in south-east Asia, plans to float Italian-Thai Development (ITD), its construction and civil engineering arm, on the Stock Exchange of Thailand.

ITD, which accounts for about half of total group business, is expected to be valued at about $1.6bn when 10 per cent of its shares are listed in the next couple of months.

This would give a market capitalisation bigger than the other three Bangkok-listed construction companies combined – including Christiani and Nielsen, the Thai group that took over its Danish parent in 1992.



Ital-Thai has interests in 14 hotels, including Bangkok's Oriental

ITD is the dominant contractor in Thailand for big infrastructure projects such as ports, dams, power stations, roads and pipelines. The government has begun tendering out transport and other projects to private companies. ITD wants the new capital to help finance its share of concessions and pay for new equipment.

In addition to the construction arm, the privately-held Ital-Thai group owns a trading and industrial business, importing aircraft and locomotives as wall as pumps and valves, and holds a quarter of a brewery in neighbouring Laos.

It also has interests in 14 hotels – including Bangkok's most famous, the Oriental – and in the luxury Eastern and Oriental Express train. Both the Oriental and the Royal Orchid hotels are listed on the SET, and there are plans to float the Amari group of hotels in the next few years.

ITD is well-placed to take advantage of the inadequacy of Thailand's existing infrastructure. The Thai economy is growing at 8 per cent annually, but traffic congestion, water pollntion and a shortage of telephones testify to the need for transport improvement and new communications networks.

All are areas of opportunity for ITD. The company owns a 14 per cent stake in Thai Telephone and Telecommunication, which is installing 1m new telephone lines in the provinces. ITD is also hoping to take a share of forthcoming work to double Thailand's single-track railways.

It is engaged in a Bt2bn ($80m) project extending terminal buildings at Bangkok's Don Muang international airport, and wants to win contracts for the new airport planned for Nong Ngu Hao.

ITD has been selected as priority bidder, together with the Anglo-French engineering group GEC-Alsthom, for a proposed elevated commuter railway in central Bangkok – a contract that could provide as much as Bt15bn in revenue for ITD if it goes ahead.

Last year ITD made a net profit of Bt1bn on turnover of Bt11.61bn. Even if the elevated railway project is exclnded from the forecasts, Jardine Fleming Thanakom, co-lead manager for the forthcoming share issue, predicts sales growth of 27 per cent, 35 per cent and 25 per cent over the next three years.

By 1996, ITD's turnover is forecast to reach the equivalent of $1bn, with profits of Bt2bn.

The Italian-Thai group began as a temporary alliance for ship-salvaging between Mr Giorgio Berlingieri, a marine engineer, and Mr Chaijudh Karnasuta, a Thai-Chinese doctor turned entrepreneur.

The two men established their own company in 1958 and bought the local assets of Archimede. Ital-Thai went from strength to strength, although Mr Berlingieri died in 1981. One of the few continuing links with Italy is a joint venture with the Italian company Trevi.

The Karnasuta family now control the group and ITD.

BHP served another environment writ

By Bruce Jacques in Sydney

Broken Hill Propriety, the Australian resources group, has received another writ alleging environmental damage from its Ok Tedi gold-copper mine in Papua New Guinea.

The writ was lodged in the Victorian Supreme Court by Mr Barry Shackles. He claims that damage from the Ok Tedi project has reduced profits of a Daru-based fishing business.

The writ follows the launch earlier this month of Australia's most expensive court action, an estimated A$4bn (US$2.8bn) claim on behalf of landowners near the Ok Tedi river alleging environmental damage from the BHP-controlled operation.

Both writs are being handled by Slater and Gordon of Melbourne.

● CRA, the Australian mining group, has rejected allegations that it misled shareholders in its 1990 takeover battle for Kalimantan Gold, operator of the Kelian gold mine in Indonesia.

CRA was responding to legal action launched in the Supreme Court of Victoria on Monday.

Five former corporate shareholders in Kalimantan are seeking unspecified damages from the company.

Samsung to offer 3.3m new shares

Samsung Electronics, South Korea's largest electronics manufacturer, is to offer 3.3m new shares via a rights issue in mid-August, Reuter reports from Seoul. The issue will increase paid-in capital by 17bn won to 332bn won ($411m). The closing date is July 11 and the subscription will end on August 25.

"The price of the issue has yet to be decided but it will be fixed at around 60,000 won," the company said. At this price, the issue would raise around 198bn won. Shares have changed hands recently at around 91,300 won.

Both common and preferred stocks will have the same rights as the new issue.

S&P confirms credit rating for Ontario

By Robert Gibbons in Montreal

Ontario, Canada's biggest province, has had its double-A minus debt rating confirmed by Standard & Poor's, the US credit rating agency.

Ontario's recent budget forecast a C$8.5bn (US$6.2bn) deficit for 1994-95, higher than originally forecast but down from C$9.4bn in 1993-94.

The rating outlook is stable, the agency said, reflecting Ontario's diversified economy.

It had lowered Ontario's ratings from double-A last year reflecting the province's rising debt and heavy servicing costs.

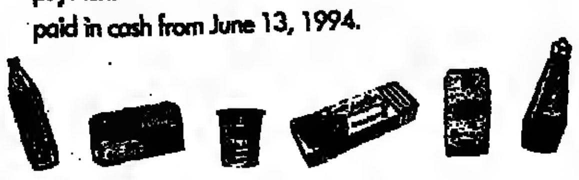
Qnebec's bndget late last week forecast a C$4.4bn deficit for 1994-95. Standard & Poor's said that it was studying its previous rating of A-plus with stable outlook.

Minproc plans capital shake-up and cash call

By Bruce Jacques

Minproc Holdings, the troubled Australian pigment and coal group, is planning a A$352m (US$251m) cash call and is changing its name to Ticor.

The par value of its shares is to be cut to 10 cents from 20 cents then consolidated into A$1 units, and 220m shares issued at A$1.60 each.



INTERNATIONAL COMPANIES AND FINANCE

Growing concern over investor lawsuits

By Patrick Harverson in New York

US companies are increasingly reluctant to release forward-looking information to analysts and investors about their earnings and performance because they fear shareholders might sue them if the projections prove wrong, according to a survey by the American Stock Exchange.

The growing number of shareholder suits is becoming such a problem in the US that the Securities and Exchange Commission is considering ways to bolster the "safe harbour" provision of securities law.

The provision protects companies from fraud claims unless the information they release is "without a reasonable basis or was disclosed other than in good faith".

In recent years, however, the safe harbour provision has not been working effectively, with a growing number of shareholders filing lawsuits alleging they have been deliberately misled by information from companies.

Mr Dick Syron, chairman of the ASE, said that many of these shareholder lawsuits had little, if any, merit.

"This is another case of excessive litigation being counter-productive. Investors are suffering because less, not more, financial information is available to determine the value of a company's stock."

The ASE said that more than 75 per cent of the 218 companies which responded to its survey had been forced to curtail the amount of information they provided to investors because of the mounting number of "frivolous" lawsuits, and 17 per cent said they had been sued in the past five years on issues relating to disclosures.

A majority of the respondents who were sued said they chose to settle out of court rather than fight the suit.

The problem of shareholder lawsuits does not relate to official announcements such es quarterly earnings, dividend payments or securities transactions, but to informal disclosures such as meetings with analysts and institutional investors, press releases, press conferences and executives' speeches.

The SEC is keen to encourage a constant flow of this type of information so that investors can make sound judgments about their investments.

Strong growth at Hewlett-Packard

By Louise Kehoe in San Francisco

Hewlett-Packard, the US computer and electronics manufacturer, reported strong growth for its second fiscal quarter as it continued to outperform its largest competitors in the computer market.

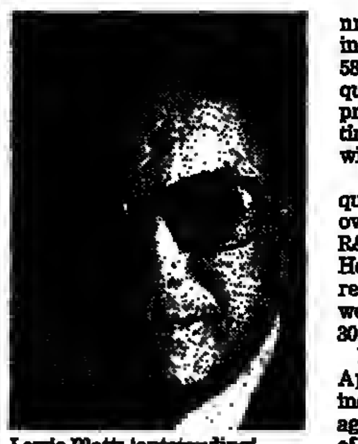
Net earnings for the quarter, ended April 30, were $408m, or $1.56 e share, compared with $347m, or $1.38, in the same period last year. An adjustment for employee stock options reduced earnings per share by 4 cents in the latest quarter.

Revenues rose 23 per cent to $6.3bn from $5.1bn in the second quarter of fiscal 1993. Net revenue in the US was $2.8bn, an increase of 26 per cent, while revenue from outside the US was $3.5bn, up 20 per cent.

"Overall we had a very good quarter," said Mr Lewis Platt, chairman, president and chief executive. "Our revenne and order growth were outstanding in today's challenging environment, and our earnings improved nicely over last year's strong second quarter."

Orders booked during the quarter rose 19 per cent to $6.4bn, compared with $5.4bn in the second quarter of 1993. US orders were $2.9bn, up 25 per cent, while those from outside the US rose 13 per cent to $3.5bn. Order growth was "excellent" in Asia Pacific, but declined in Europe.

In the computer business, revenues increased by 21 per cent in the quarter to $4.9bn from $3.9bn. Orders for PCs increased dramatically, the company said, while orders for HP's popular Deskjet PC printers also grew strongly. Growth in orders for laser printers was "modest and in line with company expectations". Multi-user computer orders continued to grow strongly, but workstation orders declined in value.



Lewis Platt: 'outstanding' growth in orders and revenue

The test and measurement business achieved 16 per cent order growth, its biggest increase in many years. Orders for communications-test equipment, as well as semiconductor and printed-circuitboard test systems, increased strongly.

As a percentage of net revenne, cost of goods sold increased to 62.2 per cent from 58.8 per cent in the year-ago quarter reflecting competitive pricing pressures and e continuing shift toward products with higher sales costs.

Operating expenses for the quarter increased 12 per cent over the year-ago period, with R&D spending up 16 per cent. However, as a percentage of revenue, operating expenses were 27.6 per cent, down from 30.3 per cent e year ago.

For the six months ended April 30, net earnings increased 28 per cent to $776m, against $608m in the first half of 1993. Net earnings per share totalled $2.98, an increase of 24 per cent over the $2.41 in last year's first half. Net revenue rose 23 per cent to $11.9bn.

"We still face intense competition, a mixed economic environment worldwide and rapid change in the marketplace in all our businesses," Mr Platt said.

Caterpillar revises its derivatives accounting

By Richard Waters in New York

The financiel services snbsidiary of Caterpillar reported a $5.4m loss from derivative instruments, amid signs that anditors in the US are taking a more stringent line in this area.

The company said the loss stems from e revision of first-quarter figures after receiving an opinion from Price Weterhouse, its anditors. The accounting firm declined to comment.

The accounting change led Caterpillar Financial Services to slash its reported profits for the quarter to $6.4m from $11.8m. No adjustment was made to the Caterpillar group figures, since the amount was not material in the context of its previously reported profits of $192m, the company said.

The adjustment stems from a forced switch from hedge accounting to mark-to-market accounting. Under the first method, which the company had applied, any profits or losses on financial instruments are set off against the underlying asset the instruments are intended to hedge.

Under the second, the instrument is shown at its market value, with any change being booked as an immediate profit or loss, regardless of any offsetting change in valne in the underlying asset. Mark-to-market accounting leads to greater volatility in reported earnings.

Caterpillar said the change releted to interest rate caps (instruments which limit e holders' exposure to interest rate rises) and sweptions (options to enter into swap contracts in the future).

Israel likely to float 51% stake in El Al

By Norma Cohen, Investments Correspondent

The Israeli government is expected to announce plans for a stock market flotation of roughly 51 per cent of El Al, the state-owned airline, following a cabinet meeting next week.

Israel's finance ministry has appointed two consortia of advisers to conduct a valuation of the airline. One of them includes Barclays de Zoete Wedd, the UK investment bank.

Israel's privatisation office said no participant in the valuation consortia would be allowed to act as underwriter when shares were finally offered to the public, apparently ruling BZW out of a wider role.

The US has been the primary foreign market for shares in Israeli companies although it is expected the El Al flotation will be a global offering with a tranche to be sold directly in Europe.

Israel's privatisation rules require the government to seek a second opinion on the value of e publicly-owned company and both valuations would play e part in setting the price for shares.

BZW is part of a consortium which includes Ernst and Young, accountants, that has assisted in the valuations of other formerly state-owned airlines including Belgium's Sabena and Australia's Qantas. Also in the group is Kost Levery and Forer, an Israeli corporate advisory firm.

Agreement on Rochester Tel split

By Martin Dickson in New York

Rochester Tel, an innovative New York state telecommnnications group, said yesterday it had cleared an important hurdle in its unique and closely watched plan to split itself in two and voluntarily abandon its local monopoly around the city of Rochester.

The scheme, unveiled in February last year, has been hailed as a possible model for other local phone companies wanting to make themselves more flexible and entrepreneurial in the face of growing competition from new rivals offering multimedia communications services.

Rochester Tel said yesterday it had reached agreement on the package with staff of the New York State Public Service Commission, which oversees the utility, and with other interested parties. The deal has to be approved by the full Commission, which is expected to consider it to the third quarter of this year.

If it gets the green light, Rochester will open up its local market to far greater competition than that faced by other US telecommunications companies - provided new rivals want to enter the market.

The agreement involves splitting the group's Rochester area telephone interests into two separate companies. One, called R-Net, would take over the basic telecommunications transmission and switching network. It would become a wholesale seller of these services to other retail companies, although it would continue to offer some retail services.

The other, called R-Com, would operate as a retailer, buying network access from R-Net, and packaging those services with its own and others' product lines, such as voice-mail, data services, long distance and wireless.

Initially, the only services assigned to R-Com would be those considered to be highly competitive, such as high-capacity private lines. Any other company would be able to compete for these services, or for customers of other services offered by R-Net.

A holding company, set up above these two subsidiaries, would have far greater freedom from local regulatory oversight. It could issue securities, make any acquisition or enter any line of business.

To win regulatory snpport for the plan, the company has agreed to a seven-year plan of price stabilisation, which inclndes $21m of rate reductions. The commission has in turn agreed that while R-Net will remain subject to regulatory oversight, the price cap regime allows it to be freed from the rate-of-return financial targets which are common in the telecommunications industry.

This would allow the group to retain all the cost efficiencies it achieves.

Air Products in further charge

By Patrick Harverson

Air Prodncts and Chemicals, the US industrial gases group which last week took a $60m after-tax charge in its second quarter to cover losses on five derivatives contracts, is to absorb an edditional $9m charge in the next quarter to cover the cost of closing out the contracts.

The Pennsylvanie-based group said it terminated the interest rate swap contracts to reduce the company's earnings exposure to fluctuations in interest rates. Air Products is the fourth US company to take a charge against its earnings this year because of problems with derivatives sold by Bankers Trust, the New York bank.

US stores post sharp first-term gains

By Richard Tomkins in New York

J. C. Penney and Dayton Hudson, two of the biggest US store groups, both reported sharp increases in sales and profits for the first quarter to April.

J. C. Penney's net income rose to $223m, e 30 per cent increase on the $172m reported before extraordinary items last time. Fully-diluted earnings per share rose to 84 cents from 65 cents before extraordinary items.

The profits increase was partly driven by a 10 per cent increase in sales to $4.35bn. J. C. Penney's mix of own-label and brand-name apparel has been selling well in its department stores, and the group's catalogue operations have benefited from Sears's exit from the catalogue business.

The company benefited from tight control of costs. Selling, general and administrative expenses fell to 25.1 per cent of sales this time from 25.9 per cent in last year's first quarter.

Deyton Hudson increased profits by 31 per cent in the same period, but from a lower base than J. C. Penney. Net income rose to $39m from $30m on sales up by 11 per cent to $4.47bn. Fully-diluted earnings per share rose to 47 cents from 35 cents.

Mr Robert Ulrich, who took over last month as chief executive, said the Target stores had continued their solid performance. Mervyn's results were starting to reflect the benefits of e new merchandising strategy, especially in women's apparel.

Toronto SE urges greater boardroom independence

By Robert Gibbens in Montreal

The Toronto stock exchange has urged publicly-traded companies to have a majority of independent outside directors on their boards.

The report of the TSE Committee on Corporate Governance suggested such companies should report annually on the make-up of their boards, detailing any directors' connections with controlling shareholders and management.

It called for penalties for directors of companies that provided improper information to shareholders. Allegations would be subject to a due diligence defence.

The committee said outside directors should meet regularly to review board performance and co-operation and take steps to ensure boards operate independently from management.

The report was drafted in response to a rash of corporate failures since 1990 and shareholder complaints of lack of information.

About 70 per cent of the companies traded on the TSE have controlling shareholders who usually want the make-up of boards to reflect their interests.

Mr Trevor Eyton, chairman of Brascan, a large holding company controlled by the Bronfman family in Toronto, said: "I think it would be e difficult thing to impose. In many cases the major shareholder would be underrepresented in the boardroom."

SNC-Lavalin doubles earnings

SNC-Lavalin, Canada's biggest engineering and construction management group, more than doubled first-quarter earnings and expects a strong year despite tough international competition, writes Robert Gibbens.

Net profit was C$5.8m (US$4.2m), or 37 cents e share, against C$2.4m, or 17 cents, on revenues of C$180m, up 4 per cent. The quarterly dividend is being raised to 7 cents a share from 5 cents.

SNC-Lavalin plans to buy control of several local engineering firms in Latin America and south-east Asia. It is well-established in western Europe and has operated in Russia for many years.

INTERNATIONAL CAPITAL MARKETS

Treasuries jump after Fed raises interest rates

By Frank McGurty in New York and Conner Middelmann and Graham Bowley in London

After a morning of quiet anticipation, US Treasury bonds prices jumped yesterday afternoon on news that the Federal Reserve would lift short-term interest rates by 50 basis points.

By 2.30pm, the benchmark 30-year government bond was 1⅛ higher at 86⅝, with the yield slipping nearly 15 basis points to 7.334 per cent. At the short end, the two-year note was up ¼ at 100⅝, to yield 6.261 per cent.

In early activity, investors were unwilling to make any fresh commitments as most were convinced the Fed would rates again during after a meeting of the policy-making Federal Open Market Committee in Washington.

Though there was a general consensus that a policy move was imminent, there was disagreement among traders over how aggressively the central bank would act. Most believed the discount rate – which the Fed charges on loans to commercial banks – was due for an increase of 50 basis points. In its previous rate action this year, the central bank made no change in the discount rate.

However, traders were divided on whether the Fed would suspend its gradualist approach by lifting its target for the Federal Funds rate – charged by banks on overnight loans to one another – by 50 basis points. In each of the previous tightenings, the Fed Funds rate was lifted by 25 basis points.

In the event, the central bank decided on the aggressive approach, lifting the discount rate to 3.50 per cent and its Fed Funds target to 4.25 per cent.

The market's response was immediate. The moves helped the long end of the yield curve by easing any lingering concern over inflationary pressures. Shorter-term securities benefited as well, because the bold strike appeared to dispel the uncertainty engendered by the Fed's earlier approach. The decisiveness of yesterday's move suggested it was the last in the current series.

GOVERNMENT BONDS

This view was reinforced by the central bank in its announcement of the policy change. "These actions, combined with the three previous adjustments initiated earlier this year by the FOMC, substantially remove the degree of monetary accommodation which prevailed throughout 1993," it said.

Mr Alan Greenspan, the Fed's chairman, had said his goal was to shift the bank's policy to a more "neutral" stance.

■ European trading was also overshadowed by the FOMC meeting, leaving most markets to drift sideways in moderate turnover.

After tracking German bonds in the morning, French bonds spurted ahead in the afternoon. Some traders said this was caused by late short-covering in the futures pits in expectation of bond-positive news from the Fed.

Moreover, investors were switching from Germany into France, said Mr Brian Hilliard, senior international economist at Société Générale Strauss Turnbull in London.

The June notional French bond future rose 0.34 points to close at 121.10. The June Bund future was down 0.16 points in after-hours trading at 95.67.

In Germany, the focus today will be on the Bundesbank's latest allocation of securities repurchase agreements. German money market traders surveyed by MMS International expect the minimum rate to fall by 12 basis points to 5.23 per cent.

■ Trade in the UK government bond market was again quiet ahead of the results of the FOMC meeting and today's UK economic data.

The market firmed in afternoon trading, largely on the back of strength in US Treasuries. The June long gilt futures contract was up $\frac{5}{16}$ at 105$\frac{21}{32}$ in after-hours trading.

The Bank of England announcement that its May 25 gilt auction would be of £2bn of 7.0 per cent 1997 stock, convertible into 9.0 per cent 2012 stock, for the first time on August 6, drew little reaction.

"This is a very uncertain issue," said Mr Don Smith of Midland Global Markets. "There is no other stock like it in the market, which makes pricing it very difficult." But analysts said there would be sufficient demand.

Today's release of UK average earnings and RPI data coincides with the publication of the minutes of the March meeting between the chancellor and the governor of the Bank of England. "The avalanche of information could cause quite a choppy time in the markets, especially if there is a pick-up in earnings and inflation, and if there are signs of a disagreement between the chancellor and the governor," said Mr Smith.

■ The Italian bond market is awaiting today's vote of confidence in the Senate on prime minister Silvio Berlusconi's government. Although his coalition is short of a majority in the Senate, most observers expect him to scrape through.

Meanwhile, technical distortions at the long end of the Italian yield curve have created buying opportunities, said Mr Jouni Kokko of S. G. Warburg.

Uncertainty ahead of FOMC meeting keeps lid on issuance

By Peter John

Uncertainty ahead of yesterday's key Federal Reserve meeting in US put the lid back on the eurobond market. Issuers who were expecting the Fed to announce a rise in interest rates were taking no chances and there was only a smattering of small offerings.

The largest issue came from Bayerische Landesanstalt für Aufbaufinanzierung, the state-owned Bavarian development bank. The LfA is borrowing DM200m via a five-year floating-rate note issue priced to yield five basis points below six-month D-Mark Libor.

The issue, led by Trinkaus und Burkhardt, was the bank's first to include the state "deficiency" guarantee. As a result, the notes were snapped up by domestic banks, which can use them as collateral in their dealings with the Bundesbank.

Ecu paper was popular as retail investors continued to roll over their holdings. Dealers said around Ecu1.7bn was coming up for redemption every month.

Crédit Local de France, the triple-A rated French municipal financing agency, offered Ecu65m of four-year bonds fungible with an outstanding Ecu235m bond through lead manager Swiss Bank Corp.

INTERNATIONAL BONDS

Later in the afternoon, GECC, the fund-raising arm of General Electric, made its second appearance in as many days when it raised Ecu100m fungible with a five-year Ecu100m issue launched in late March.

There was little speculation of impending deals and the expectation of more yen-based supply was hardly satisfied by yesterday's offering from Hitachi Credit, which issued Y1.5bn via the Bank of Tokyo.

Meanwhile, United Microelectronics Corp, a Taiwanese designer, producer and distributor of integrated circuits, announced it was issuing $160m of euroconvertible bonds to fund an increase in its production capacity.

UK investment bank BZW, which is handling the launch, said the 10-year bond would have a coupon of between 1.25 per cent and 1.75 per cent. Final pricing takes place at the end of the week.

● Tube Investments' Indian arm issued $50m of new stock in the form of Global Depositary Receipts through S. G. Warburg and Cazenove. The 5.2m GDRs were priced at $8.77 and there was a "green shoe" addition of just over 500,000 GDRs. The launch was scheduled to take place three weeks ago but was pulled after the failed flotation of VSNL, the Indian telephone company.

● Standard & Poor's, the US credit rating agency, yesterday affirmed its AA+ rating on the Kingdom of Sweden's long-term foreign currency debt. It said the ratings were supported by a manageable external financial position and a solid balance of payments performance.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
UMC§	160	(e)	100.00	Jun.2004	2.50	-	BZW
D-MARKS							
BLFA‡	200	(a)	100.00	Jun.1999	0.20	-	Trinkaus & Burkhardt
ITALIAN LIRE							
European Investment Bank(c)	200bn	9.125	101.325	Jun.2004	-	-	Banca di Roma
Bank Austria(d)	150bn	9.125	101.00	Jun.2004	2.00	-	BCI
ECUS							
GECC(f)	100	6.125	97.90R	Apr.1999	0.25R	-	CCF
Credit Local De France(b)	65	6.00	98.23	Sep.1998	0.20	-5 (7¼%-98)	Swiss Bank Corp

Final terms and non-callable unless stated. The yield spread (over relevant government bond)at launch is supplied by the lead manager. *Private placement. §Convertible. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) 6 month Libor less 5bp. b) Fungible with existing 235m issue, plus 270 accrued interest. c) Issue launched 11/5/94 increased to 500bn. d) Issuers option to convert to FRN's from 21/6/99 and annually thereafter paying 6 mth Libor plus 10bp. e) Coupon indicated at 1.25-1.75%. Indicated conversion premium 5-10%. f) Fungible with existing 100m issue 40 days after payment.

Caribbean region goes for growth

By Canute James in Kingston

Caribbean countries are joining the ranks of the faster growing emerging capital markets. Capitalisation of the region's markets reached $322m last year, up 41 per cent on 1992, according to the Inter-American Investment Corporation, with the stimulus coming from changes in economic policy in several countries.

Countries such as Trinidad and Tobago, Guyana, the Dominican Republic and Jamaica have opened their economies, allowing greater participation by local and foreign capital in sectors such as utilities, once considered the sole province of governments.

Increased private participation has come with the divestment of state economic enterprises, an increase in the number of traded companies on local stock exchanges and a broadening of ownership which has widened and deepened the exchanges.

Many previously highly-geared companies have been restructured, making them more competitive. The sensitive foreign exchange markets have also been deregulated with the removal of exchange controls and the floating of currencies.

Financial services companies have used the new climate to introduce a range of securities on domestic markets and to move into the regional and foreign money markets.

The growth in the Caribbean reflects a global trend in emerging markets, according to Mr Rudolf van der Bijl of the Capital Markets Department of the IFC. "In 1982, 32 emerging markets had a market capitalisation of $67bn," he said. "In 1993 it was almost $1,400bn – a 20-fold increase. This is clearly not a flash in the pan."

The behaviour of emerging markets can be volatile, he reported. In 1992, for example, the Jamaican market recorded growth of 202 per cent, the highest of all the emerging markets. Yet last year the market dropped 50 per cent, largely because of high interest rates.

However, the continued growth of the Caribbean markets is being hobbled by infrastructural and institutional shortcomings. "If the Caribbean countries and companies wish to participate in the international market and reap the benefits of globalisation and internationalisation, they must establish standards and practices consistent with the international market," Mr van der Bijl advised.

These changes include equitable and similar fiscal treatment of income from different types of instruments; investor protection; and a modern legal and regulatory framework, such as a capital market law.

An adequate securities commission, compliance with internationally accepted accounting standards and reporting, adequate clearing and settlement standards and procedures, and modern communications are also required.

The prospects for further growth appear to be improving, with indications that government officials are aware of what is needed.

"The development of the capital market in some Caribbean countries, such as Jamaica and Trinidad and Tobago, is possible with the flotation of public issues, the underwriting of loans, underwriting of privatisation issues, and syndication," said Mr Paul Chen-Young, executive chairman of the Eagle Group, one of Jamaica's larger financial services conglomerates.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/03	105.0400	-0.470	8.69	8.71	8.44
Belgium		7.250	04/04	98.3800	-0.520	7.49	7.55	7.40
Canada *		6.500	06/04	87.1500	-0.250	8.42	8.58	8.32
Denmark		7.000	12/04	97.6500	-0.420	7.32	7.40	7.21
France	BTAN	6.000	05/98	106.5000	-	8.11	6.27	5.94
	OAT	5.500	04/04	90.6900	+0.260	6.82	6.98	6.82
Germany		8.750	05/04	101.1600	-0.040	6.59	6.52	6.47
Italy		8.500	01/04	96.6000	+0.100	9.05†	9.02	8.97
Japan	No 119	4.800	06/99	106.9890	-0.240	3.21	3.29	3.37
	No 157	4.500	06/03	104.5160	+0.840	3.83	3.94	4.03
Netherlands		5.750	01/04	94.1200	-0.020	6.59	6.75	6.78
Spain		10.500	10/03	105.7500	-0.150	9.53	9.59	9.25
UK Gilts		6.000	08/99	93-09	+5/32	7.56	7.90	7.45
		8.750	11/04	91-10	+8/32	7.99	8.25	7.74
		9.000	10/08	107-13	+8/32	8.12	8.34	7.90
US Treasury *		5.875	02/04	90-19	+1/32	7.24	7.37	7.13
		6.250	08/23	85-29	+1/32	7.44	7.56	7.40
ECU (French Govt)		6.000	04/04	91.8300	+0.380	7.18	7.44	7.22

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

Prime rate	6¾	One month	3.80	Two year	6.01
Broker loan rate	5½	Two month	4.08	Three year	6.39
Fed funds	4¼	Three month	4.30	Five year	6.85
Fed funds at intervention	-	Six month	4.85	10-year	7.23
		One year	5.31	30-year	1.45

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	120.72	121.10	+0.34	121.16	120.46	148,594	117,355
Sep	119.78	120.14	+0.34	120.00	119.54	2,283	16,969
Dec	119.84	119.20	+0.34	119.84	111.84	2	5,541

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
119	2.19	-	-	0.09	1.04	-
120	1.31	1.80	-	0.23	1.38	-
121	0.58	1.30	-	0.47	1.75	-
122	0.20	0.87	-	1.11	-	-
123	0.03	0.52	-	-	2.75	-

Est. vol. total, Calls 22,023 Puts 17,804. Previous day's open int., Calls 511,547 Puts 365,201.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.85	95.79	-0.04	95.89	95.60	114681	182553
Sep	95.31	95.31	-0.04	95.35	95.15	2469	21371

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
9550	0.57	0.80	1.10	1.28	0.28	0.99	1.29	1.47
9600	0.30	0.59	0.88	1.04	0.51	1.28	1.57	1.73
9650	0.13	0.41	0.70	0.86	0.84	1.60	1.89	2.05

Est. vol. total, Calls 21007 Puts 10546. Previous day's open int., Calls 301502 Puts 297849

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	100.77	-0.06	-	-	0	1749

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	112.39	112.50	+0.07	112.70	112.06	31295	77060
Sep	111.30	111.60	+0.07	111.70	111.30	1265	6102

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11250	0.52	1.88	0.52	2.78
11300	0.30	1.66	0.80	3.06
11350	0.15	1.46	1.15	3.36

Est. vol. total, Calls 8213 Puts 3630. Previous day's open int., Calls 80482 Puts 74282

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	96.58	96.50	-0.04	96.58	96.33	27,256	113,243
Sep	95.92	95.80	-	95.92	95.92	28	1,788

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	104-29	105-13	+0-12	105-21	104-19	45619	122132
Sep	103-19	104-09	+0-13	104-15	103-17	2144	940

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
105	0-56	2-02	0-30	2-48
106	0-26	1-39	1-00	3-21
107	0-09	1-16	1-47	3-62

Est. vol. total, Calls 2522 Puts 5606. Previous day's open int., Calls 113244 Puts 78585

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	88.00	88.30	+0.30	88.38	87.80	2,652	10,258

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	103-22	103-22	+0-01	103-24	103-13	348,527	411,391
Sep	102-26	102-25	+0-02	102-28	102-16	14,050	72,565
Dec	102-04	102-04	-0-01	102-05	101-29	1,236	33,885

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	113.12	-	-	113.21	113.11	1426	0
Sep	112.31	-	-	112.38	112.28	1121	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue May 17	Day's change %	Mon May 16	Accrued interest	xd adj. ytd
1 Up to 5 years (22)	123.24	+0.10	123.12	1.88	4.34
2 5-15 years (23)	144.48	+0.20	144.19	1.81	5.32
3 Over 15 years (9)	163.11	+0.34	162.55	2.71	4.06
4 Irredeemables (6)	182.84	-0.81	184.33	0.65	6.12
5 All stocks (60)	141.64	+0.19	141.37	1.99	4.82
Index-linked					
6 Up to 5 years (2)	184.92	+0.05	184.82	0.62	2.53
7 Over 5 years (11)	176.63	+0.14	176.38	1.03	1.89
8 All stocks (13)	176.61	+0.13	176.38	0.99	1.77
Debentures and Loans					
9 Debs & Loans (76)	131.78	+0.36	131.30	1.74	4.86

Yields	Low coupon May 17	Low coupon May 16	Low coupon Yr. ago	Medium coupon May 17	Medium coupon May 16	Medium coupon Yr. ago	High coupon May 17	High coupon May 16	High coupon Yr. ago
5 yrs	7.65	7.69	7.16	7.85	7.89	7.44	7.95	7.98	7.66
15 yrs	8.02	8.05	8.09	8.12	8.15	8.50	8.44	8.45	8.76
20 yrs	8.03	8.05	8.31	8.12	8.15	8.60	8.32	8.31	8.81
Irred.†	8.20	8.13	8.66						

Index-linked	Inflation 5% May 17	Inflation 5% May 16	Inflation 5% Yr. ago	Inflation 10% May 17	Inflation 10% May 16	Inflation 10% Yr. ago
Up to 5 yrs	3.54	3.55	2.89	2.64	2.65	2.20
Over 5 yrs	3.80	3.81	3.58	3.43	3.44	3.42

Debentures and Loans	5 year yield May 17	5 year yield May 16	5 year yield Yr. ago	15 year yield May 17	15 year yield May 16	15 year yield Yr. ago	25 year yield May 17	25 year yield May 16	25 year yield Yr. ago
9 Debs & Loans	9.19	9.23	9.04	9.17	9.21	9.54	9.16	9.19	9.58

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	May 17	May 16	May 13	May 12	May 11	Yr ago	High*	Low*
Govt. Secs. (UK)	94.79	94.62	94.46	93.94	93.77	94.56	107.94	93.20
Fixed Interest	112.52	112.38	112.10	111.97	111.48	110.93	133.87	110.92

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	May 16	May 13	May 12	May 11	May 10
Gilt Edged bargains	90.2	86.5	77.1	90.2	86.7
5-day average	86.9	83.6	86.8	92.0	93.0

UK GILTS PRICES

Shorts (Lives up to Five Years) — Five to Fifteen Years — Over Fifteen Years — Undated — Index-Linked — Other Fixed Interest

[illegible]

■ 'Tap' stock. ‡‡ Tax free to non residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on May 17

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 8½ 03	1000	91	91¼	+⅛	7.94
AlbertaProvince 9⅜ 95	600	104¼	104½		8.15
Austria 8½ 00	400	105	105⅜		7.38
Bank of Tokyo 8⅜ 98	100	103⅛	103¼	+¼	6.53
[illegible]					
United Kingdom 7¼ 97	5500	104⅝	104⅞	+⅛	5.68
Volkswagen Intl Fin 7 03	1000	100⅛	100⅝	+⅛	6.98
World Bank 0 15	2000	24¾	25¼		6.68
World Bank 5⅞ 03	3000	94⅛	94⅞	+¼	6.63
World Bank 8⅜ 00	1250	113	113⅜	+¼	6.07
[illegible]					
Abbey Natl Treasury 8 08 £	1000	95¼	96½	+¼	8.79
Alliance Leics 11⅛ 97 £	100	109½	109⅞		7.68
British Land 8⅞ 23 £	150	90⅜	90⅞	+⅛	10.13
Denmark 6¾ 98 £	800	96⅛	96⅜	+⅛	7.84
EIB 10 07 £	637	106⅛	106½	-⅛	7.40
[illegible]					

FLOATING RATE NOTES — CONVERTIBLE BONDS

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

COMPANY NEWS: UK

Higgs & Hill rights to fund land purchases

By Andrew Taylor, Construction Correspondent

Higgs & Hill yesterday joined the growing band of builders to announce share issues to pay for housing land purchases.

The company plans to raise £22.2m by offering shareholders one new share at 105p for every two already held. It has agreed to buy 78.6 acres of land, more than half in south-west England, for £22.5m.

The land on 13 sites is sufficient to build about 930 homes, said Mr John Theakston, chief executive. More than four fifths of the land, 67.2 acres, is being acquired from English China Clays for £19.3m.

English China Clays has previously announced its withdrawal from housebuilding and is in the process of demerging its building materials business.

Higgs & Hill's share price yesterday fell by 10p to 122p. The land has been acquired at a price of about £24,000 a plot, compared with an average house price of £82,000, producing an estimated gross margin of 18 per cent before selling expenses, said Mr Theakston.

At the end of last year, the company owned 1,200 plots with planning permission at an average cost in the balance sheet of £23,000 each. The number of plots will now increase to more than 2,000.

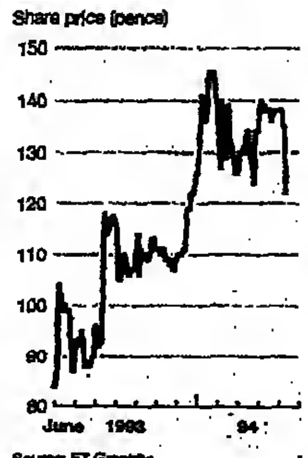
This will enable the company, which previously has operated mainly in south-east England, to increase the number of homes it builds annually from 332 last year to 650 by the end of next year.

The purchase of three of the sites would depend upon revised planning approvals being granted. English China Clays had agreed to carry out off site works on a fourth site.

Under the terms of the deal, £13.7m would be paid to English China Clays immediately; £3.7m on award of planning and completion of works with the final £1.9m to be paid by December 16 next year.

Higgs & Hill said that at the end of April it had net cash of between £3m and £4m, but expected to move to modest borrowings by the end of this year to meet the cost of establishing a new division in the south-west and other land purchases.

Higgs & Hill



Source: FT Graphite

● **COMMENT**

The timing of the cash call is not the best given the sharp rise in housing land prices and the recent pressure on housebuilding stocks. The market therefore was duly suspicious of the value to be gained from buying sites which in the case of English China Clays have been on the market for more than a year. On the other hand, Higgs & Hill management is highly regarded and profits of £12.5m in 1996 would leave the group on a prospective p/e of under 10 on an ex-rights price of 123p. The rights therefore, should be supported, but the market is getting fatigued by the volume of shares being issued by housebuilders.

NEW ISSUES

Pillar Property flotation value likely to top £175m

By Simon Davies

Pillar Property Investments yesterday became the ninth property company to come to the market this year. Pillar, formed in 1991 by Arlington Securities, the British Aerospace subsidiary, will be valued at more than £175m.

The company has built up a portfolio of 25 properties valued at £330.4m, having been set up with £70m cash to capitalise on collapsing property valuations.

Its initial shareholders were British Aerospace, Electra and General Electric. A year ago, British Aerospace sold its stake to its partners, and Arlington's founders, Mr Raymond Mould and Mr Patrick Vaughan, were brought in as minority investors.

Mr Humphrey Price, finance director, said Electra and General Electric had not decided whether they would sell part of their holding in the share offer, but the management will retain its interest of about 10 per cent.

Analysts said that like Capital Shopping Centres – the £209m retail property flotation earlier this year – Pillar offered sound management and quality assets, but the success of the offer would hinge upon pricing.

It is being issued in a competitive market, following the publication last week of the pathfinder prospectus for Argent, another relatively high quality property group.

Pillar has a geographically spread portfolio, comprising 35 per cent office space, 20 per cent office park, and the remainder in retail and distribution.

Its current annualised rent roll is £23.7m, substantially higher than financing costs, and 67 per cent of its rent is derived from FT-SE 100 companies or government bodies.

The portfolio was put together by Mr Robert Maxted, a former director of Speyhawk. He will be property director of the listed company, but Mr Mould and Mr Vaughan will be taking on a more active management role, as chairman and chief executive respectively.

As founders of Arlington they developed an expertise in business parks, and made an astute call on the property market, selling to British Aerospace at close to the peak.

It is unclear what impact their return to Pillar will have on its investment strategy, although it suggests the group will be looking at property development opportunities.

Barclays de Zoete Wedd is financial adviser, while Kleinwort Benson is broker to the issue, which is set to be launched within the next two months.

Nightfreight raises £16.1m to cut debt

By Ian Hamilton Fazey, Northern Correspondent

The family interests of Mr Peter Johnson, chairman of Park Food and Tranmere Rovers – and prospective chairman of Everton Football Club – will get about £1.75m from the flotation of Nightfreight, the express parcels group, of which he is also chairman.

More than 16m shares are being placed at 105p to raise £16.1m, giving a market capitalisation of £47.3m. Existing shareholders are selling 4.72m shares. Of the placing 400,000 are being placed with preferential applicants including existing shareholders, employees and associated companies operating within Nightfreight's UK network.

Another principal beneficiary will be 3i, the investment group, which is selling 2m shares worth £2.1m. The company will raise a net £11.2m to eliminate debt.

Nightfreight distributes The Independent newspaper and specialises in industrial packages for the just-in-time market. It was founded by Mr Russell Black, who bought Hemway Transport, a former regional newspaper distributor, from the receiver for £180,000 in 1984.

Mr Johnson became involved in 1990 when Mr Black needed capital and negotiations with a venture capital provider broke down. Mr Johnson, who knew Nightfreight because it once distributed Park Food's Christmas hampers, put in £500,000.

Forecast earnings per share of 7.5p for the year to November 30, compare with 4.12p. The historical p/e was 25.5; the forecast is 14. Notional gross dividend yield at the placing price is 4.03 per cent.

Redrow at 5% discount on first day of dealings

First day dealings in Redrow, the latest housebuilder to come to the market, ended with the shares trading at 128p – representing a 5 per cent discount to the issue price of 135p, writes Andrew Taylor.

At one stage the shares had been as low as 118p but recovered by the close.

The issue, which raised £55.4m of new money for the company and £62m for Mr Steve Morgan, the founder and chief executive, has fallen foul of the recent fatigue regarding new issues, particularly by housebuilders.

Of the minimum 21.75m shares offered to the public only 17.12m, or 78.7 per cent, were taken up.

The issue was fully underwritten by Barclays de Zoete Wedd, with Cazenove acting as broker.

Amey to raise £10m via market listing

By Andrew Taylor

Amey Holdings, one of the UK's largest private construction companies and the sixth biggest roadbuilder, plans to raise about £10m in new money when it comes to the market next month.

Existing shareholders, including Close Brothers which holds a 25 per cent stake on behalf of approximately 30 investment institutions, also expect to raise £10m by selling some of their holdings.

Amey, which issued a pathfinder prospectus yesterday, is expected to have a stock market value of about £50m when the price of the issue is announced on June 2.

The shares will not be offered for sale but will be placed with Baring Bros, sponsor to the issue. James Capel will act as broker.

The company, previously part of the ARC building materials and construction group, was briefly a Hanson subsidiary when ARC was acquired from Consolidated Goldfields by Hanson in August 1989.

Amey was sold almost immediately by Hanson for £6.5m to Amey directors: Mr Neil Ashley, executive chairman, Mr Eddie King, managing director, Mr David Cawthorne, finance director and Mr Richard Douglas, managing director of Amey Building.

Mr Ashley said the company's continuing businesses made pre-tax profits of £4.7m last year on group sales of £210m, compared with profits of just £300,000 on sales of £70m in 1989.

If losses from the former electrical business of JM Jones, now closed, are included pre-tax profits last year would be reduced to £2.16m

At the end of December Amey had net cash of £8.64m.

Minproc sells stake in Bakyrchik Gold

By Kenneth Gooding, Mining Correspondent

Shares in Bakyrchik Gold, set up last year to exploit a gold mine in Kazakhstan, fell by 10p to 315p yesterday after it revealed that its biggest shareholder had disposed of a 19.1 per cent stake despite giving an undertaking last August that it would not sell any more shares for at least a year.

The shares were placed on behalf of Minproc, the Australian group, at 300p each to raise about £9m.

Minproc was the second founder-shareholder to pull out of Bakyrchik. Only five days after trading began on the London Stock Exchange, Chilewich, a New York trading organisation, sold virtually all of its 25 per cent stake.

Minproc also sold about 5 per cent then but also gave its undertaking to keep the rest of its shares for 12 months.

There was no hint about these sales in the documents in connection with the £9m placing, at 120p a share, by Williams de Broë.

Mr David Hooker, Bakyrchik's chairman, said yesterday that Minproc was in the throes of a necessary financial reconstruction and had asked Bakyrchik to be relieved from its undertaking.

He said that "while the disposal of this large stake by a founder is regrettable, as we have a financing later this year we thought it better to release Minproc from its undertaking, rather than go into that financing with a major shareholder reluctant to take up its rights".

The shares were placed without difficulty with new and existing institutional shareholders "who have the financial resources to support future funding of the Bakyrchik mine in Kazakhstan," he added.

Mr Kevin Foo, chief executive, said the Bakyrchik joint venture was on course to pour its first gold in July and a feasibility study about a second stage, to cost some £100m, would be ready by the end of this month.

AAF in talks to dispose of wheels division

By David Blackwell

AAF Industries, the mini-conglomerate that plunged into the red in the first half of 1993, is at an advanced stage in talks on the possible disposal of Alloy Wheels, which makes wheels for the car industry.

The division accounted for £32m of total turnover of £72.1m in 1992. The group's other activity – system building – accounted for the balance.

The potential buyer is thought to be from outside the UK.

The group incurred a pre-tax loss of £11m on turnover of £42m in the first half of last year. It is expected to announce its full year losses along with the sale – possibly later this week.

Announcing interim results last October, AAF said it had concluded a joint marketing and technical collaboration agreement with Topy Industries of Japan, one of the world's largest alloy wheel manufacturers.

The first-half deficit stemmed directly from expansion of its prefabricated building manufacturing business, which it bought in 1989, into an on-site contractor.

The group warned last year that further costs of £7m would be incurred in the second half because of the closure of the lossmaking division.

In November it sold its US modular building subsidiary for $33.3m. The group said at the time that the net proceeds of the sale would be about $13.3m (£8.8m), of which £4.3m would be used to reduce debt to about £24m, leaving gearing at between 110 per cent and 115 per cent.

Abacus shares rise 17p on all-round growth

Shares in Abacus Group rose 17p to 201p yesterday as the distributor of electronic components published its first set of results since coming to the market in November last year.

The company, whose shares were priced at 140p at flotation, turned in pre-tax profits of £2m from turnover of £18.2m for the six months to end-March, against £1.22m from sales of £14.1m in the comparable period last year.

Mr Peter Grundy, chairman, said all parts of the business continued to perform well, with order books at record levels.

Earnings per share showed an advance from 2.9p to 4.6p, and directors declared an interim dividend of 1.12p in respect of the period since flotation.

Sanderson Electronics advances 20% to £2.17m

Profits at Sanderson Electronics, which apart from its computer interests is sponsor of Sheffield Wednesday Football Club, rose by 20 per cent to £2.17m pre-tax for the half year ended March 31.

Acquisitions added £203,000 to profits and £2m to total turnover of £14.2m (£12.1m). The directors said three acquisitions made in the opening half would lift annual turnover to about £50m (£23.6m).

First half earnings rose by 1.7p to 15.9p and a second interim dividend of 6p (4.5p) makes an 11.4p (9.9p) total for the year ending September 30 1994.

The second half had started "positively" and the directors looked for another set of successful full year results.

Sanderson's shares closed 13p higher at 350p.

CONTRACTS & TENDERS

PERSONAL

Restructuring costs hold back BOC to £79.7m

By Daniel Green

Economic recovery was boosting sales volumes at BOC, the industrial gases and healthcare group said yesterday on publication of its results for the half year to March 31.

An exceptional £85m provision for restructuring and losses of £8.7m on disposals left pre-tax profits at £79.7m, compared with £182.4m.

Earnings per share, after the exceptional items, were 3.65p (23.55p). The dividend is unchanged at 11.6p.

Borrowings have hardly changed from the start of this financial year and gearing was 33 per cent, the company said.

The figures were at the top end of expectations, however, and the shares rose 29p to 715p.

Turnover increased to £1.72bn (£1.59bn), thanks to economic recovery in the US and Australia, the company said. Higher demand from manufacturing industry helped the gases division report operating profits up from £156.6m to £161.4m.

Although prices remained flat, Mr Pat Dyer, chief executive, said he was studying the price rise proposed on Monday by Praxair, a US rival.

"You would not have to be too intelligent to see what we are going to do," said Mr Dyer, adding that it would be "a little difficult" to raise prices by more than 7 per cent.

The gases business in much of continental Europe remained in recession. BOC's recently acquired atmospheric gases businesses in Poland and its hydrogen business in Germany had made some progress.

"We would like to have a bigger continental presence," said Mr Dyer, although he added that any growth in mainland Europe would continue to be gradual and the group's concentration on markets in developing economies had provided BOC with strong growth.

Better results from the north Pacific market were offset by lower profits from Japan.

The healthcare business continued to be hit by the falling price of the anaesthetic gas Forane, which has lost its patent protection in the US.

Healthcare operating profits fell 47 per cent to £29.3m (£55m).

The company's new anaesthetic, Suprane, continued to gain market share "but the costs associated with introducing it meant that it could not offset the impact on profit from lower Forane revenues".

The smaller vacuum technology and distribution services business benefited from growth in demand from semiconductor manufacturers. Its operating profits rose from £11.9m to £24.8m.

Sedgwick disappoints City with 5% advance

By Simon Davies

Sedgwick Group, the insurance broker, yesterday announced a 5 per cent increase in pre-tax profits to £43.6m for the first quarter of 1994, up from £41.6m. The figures disappointed most analysts, however, and the share price fell 6p to 197p.

The result was affected by a poor performance from Sedgwick's UK reinsurance business, and a combination of restructuring costs and a seasonally quiet start to the year at Noble Lowndes, the employee benefits consultancy.

Revenue from brokerage and fees increased to £239.8m (£204.9m) while interest and investment income fell £1.3m to £9.6m, reflecting lower interest rates.

Mr Stuart Tarrant, finance director, said the results were in line with the statement at the annual meeting that Sedgwick would experience a flatter first half and stronger second half, compared with previous years. He said present performance was in line with budget forecasts.

Sedgwick Payne, the reinsurance arm, was hit by the large number of clients who have withdrawn from the London underwriting market. But Mr Tarrant said the business would improve in the second half.

Noble Lowndes, acquired from TSB on September 30, was affected by restructuring in the US, where 150 people were made redundant through the closure and merger of offices. Mr Tarrant said the more substantial UK business had performed in line with expectations.

Earnings per share dipped to 5p (5.7p) as a result of the August rights issue.

Economic recovery aids Hanson

By Maggie Urry

Evidence of economic recovery in Hanson's two main areas of activity could be detected in many of the half year figures published by the Anglo-American conglomerate yesterday.

Mr Derek Bonham, chief executive, said the first half of the financial year, to end-March, was "marked by clear signs of emerging economic recovery in the UK and continuing improvement in the US". He said the group's profits were still close to their trough, with the potential peak – based on the group's previous records in each division – at £1bn more in a full year.

The group is involved in many cyclical areas – such as bricks, aggregates, lumber and polyethylene – which were now seeing the benefit of the economic upturn translated into rising volumes and increased prices, and in turn higher profits.

At London Brick, for instance, volumes rose by 10 per cent and prices by 5 per cent with lower levels of price discounting too. As a result, brick stocks in the UK have fallen to less than four months worth. ARC, the aggregates business, increased prices between 6 and 10 per cent on March 1, while in the US, polyethylene prices were upped by 5 per cent, with every extra cent adding $35m to $40m (£27m) to operating profits in a full year. Forest products profits rose 20 per cent to £60m.

Even so, some areas saw profit falls. Grove Cranes fell from £15m to £5m as excess equipment with dealers, both new and used, depressed markets in Europe and the US. Profits from SCM Chemicals, which makes titanium dioxide, fell 15 per cent to £44m as prices dropped 5 per cent, offsetting a 9 per cent rise in sales.

The figures were the usual Hanson maze of one-off items, both positive and negative. Group sales in the half were ahead 17.7 per cent to £5.64bn, with £848m coming from acquisitions, virtually all from Quantum Chemical, bought on the final day of the last financial year.

Operating profits from continuing businesses fell to £373m (£391m), but acquisitions contributed £70m. Quantum's polyethylene activities made £32m and Suburban Propane chipped in £38m. Discontinued operations such as Beazer Homes, floated in the half year, made £28m (£40m).


Derek Bonham: group profits still close to their trough

A profit of £333m (£40m) was recorded from disposals, which includes the housebuilding sale, the office products business, and a number of small UK activities.

There was a £155m swing on the interest line to a negative £119m. Mr Bill Landuyt, finance director, said this was in line with warnings made last December of an expected adverse swing during the current year of £275m. That left pre-tax profits at £683m, some 35 per cent up on £507m.

Organic growth in operating profits was 8.4 per cent to £453m, with the rate accelerating between the first and second quarter, Mr Bonham said. That figure excluded disposal profits, and the £80m (£25m) cost of the Peabody coal strike, settled in December.

A potential concern was a cash outflow of £246m. However, Mr Landuyt blamed most of this on a £387m rise in working capital which resulted from a number of changes. The refinancing of debt meant that £145m of accrued interest at the end of the last financial year had not been replaced, and the change of date for the budget – in advance of which Imperial Tobacco usually runs down its stock, left it with £80m higher working capital.

Mr Landuyt said on a normalised basis, there would have been an inflow of £100m.

The cash raised from disposals, which totalled £815m, and the issue of shares which brought in £116m, with £89m coming from the exercise of warrants issued in 1987 when Hanson bought Kidde, cut gearing from 86 per cent to 69 per cent over the six months.

BA acquires minority in Air Miles

By Michael Skapinker, Leisure Industries Correspondent

British Airways has bought the outstanding 49 per cent of Air Miles Travel Promotions from MCM. The airline would not say how much it paid but it is thought be less than £10m.

BA has owned 51 per cent of Air Miles, since it was founded in 1988.

Mr Robert Ayling, BA's group managing director, said: "Air Miles is one of the best-known brand names in the country and we are now keen to get on with developing the business as a mass market customer loyalty programme."

Air Miles runs customer loyalty schemes for 150 companies, including BA's Executive Club, National Westminster Bank, Shell, Hertz, Hilton and Marriott.

BA said it carried about 500,000 passengers through the Air Miles programme last year. This represented a little more than 5 per cent of its surplus seats, which would otherwise have been empty.

There are 3.75m registered collectors of Air Miles in the UK and 2.75bn Air Miles in circulation. BA said this was the equivalent of 10 per cent of its unused capacity. The number of Air Miles in circulation is likely to grow to 5bn by the end of this year.

Celltech near to asthma drug deal

By Daniel Green

Celltech, the biotechnology company which floated on the stock market in December 1993, will within months sign a collaborative deal on the development of an asthma drug worth at least £20m.

Mr Peter Fellner, chief executive, said yesterday he was in advanced talks with four companies interested in taking the asthma treatment through the later, more expensive, clinical trials and to market.

The deal would involve royalty payments to Celltech and "other mechanisms" for sharing profits, he said.

News of the deal came as the company released its interim results for the six months to the end of March 1994.

The proceeds from the flotation lifted the company's net cash position – one of the most important figures in a biotechnology company's balance sheet – to £40.3m (£11.4m).

Turnover rose from £5.5m to £6.5m as the biologics division boosted sales of materials to pharmaceutical companies. This figure is likely to be much lower in the second half as production stops for new and larger equipment to be installed.

Sales of biologics, and a £1.5m progress payment from Bayer, helped limit the half-year pre-tax loss to a little changed £4.4m (£4.3m).

Standard Platforms in reconstruction plan

Shares in Standard Platforms Holdings, the USM-quoted computer hardware and software group, which were suspended on March 30 at 36p pending publication of its accounts, resumed trading at 18p yesterday.

The group reported pre-tax losses of £1.07m for the 18 months to September 30 1993, against losses of £847,471 for the previous year.

It also announced a proposed rights issue, loan stock conversion, a capital reduction, a share option scheme and board changes. The directors said that if resolutions relating to these were not passed at an extraordinary meeting on June 9 the group's future would be uncertain and it might have to cease trading.

The capital reconstruction involves the subdivision of 10p ordinary shares into one ordinary 1p share and one deferred 9p share.

The issue, to raise £450,000 net, is on the basis of 5-for-2 at 5p per share fully underwritten by a group of investors brought together by IDJ.

Lasmo steps up attack on hostile predator

By Robert Corzine and Peggy Hollinger

Lasmo yesterday fired its second volley in the war against hostile predator Enterprise Oil by accusing the rival explorer of having lost its way in the 1990s.

Mr Rudolf Agnew, Lasmo's chairman, urged shareholders in the second letter in less than a week to reject Enterprise's £1.4bn paper offer. He claimed Enterprise's management was "hiding behind the success of its predecessors".

Proven and probable reserves had fallen by 42m barrels of oil equivalent in the 1990s, while almost £500m had been spent on exploration, appraisal and acquisitions. Finding costs had also risen since 1990 from 43p per barrel to 213p.

Enterprise was spending more to find less oil, Lasmo argues. "In 1993, Enterprise spent £67m to drill 2.8 net wells. Finding costs have soared," the company said.

SNC creates S African venture

By Norma Cohen, Investments Correspondent

Smith New Court has reached agreement with a leading South African stockbroker to establish a New York-based joint venture which will sell South African shares to US investors.

Agreement has also been reached in principle for Smith to acquire up to 30 per cent of Davis Borkhum Hare, the stockbroker. The stake is the maximum envisaged by the recently published report of the sub-committee of the South African Stock Exchange.

Mr Michael Marks, Smith's chief executive, said the deal was intended to capitalise on the anticipated demand from US institutions which for decades have been discouraged from buying South African shares by widespread American revulsion for apartheid.

So far, several US states, including New York, have lifted restrictions on public sector pension fund investment in South Africa. And others, such as California, are in the process of doing so, he said.

The joint venture will act as an agency broker for investors wishing to buy South African shares and as the vehicle for South African clients of both firms who wish to offer their shares for sale in the US.

Marley makes £20m sale

By Andrew Taylor, Construction Correspondent

Marley, one of Britain's biggest building materials companies, has sold Bisch Marley, its clay roof tile subsidiary in Alsace, France, for FFr170m (£19.8m) to Keramik Holdings of Switzerland.

The sale for cash reflects Marley's policy of disposing of businesses where it does not command a large market share. The sale price includes the repayment of inter-company debt.

Bisch, which had net assets of FFr108m at the end of December, reported operating profits of FFr11.8m last year. Marley said that Bisch was a leading supplier of roof tiles in eastern France but had been unable to translate this into a sufficiently large national position.

The proceeds initially will be used to repay group borrowings.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abacus	int	1.12♠	July 28	-	-	-
Allied-Lyons	fin	14.9†	July 29	14.05	22.2	21
Anglo Irish Bank	int	1.36‡†	July 19	1.36	-	2.933
Baring Stratton	fin	2.29	July 5	2.29	2.29	2.29
BOC	int	11.6	Aug 1	11.6	-	23.2
Hanson	int	3♥	July 1	2.85	-	11.4
H'pools Water	fin	37	July 1	33	60	55
New Throgmorton	fin	0.25	July 29	2.25	4.75	6.75
Sanderson Elect	int	6†☆	July 4	4.5	11.4	9.9
Scottish Value	int	1	July 7	0.85	-	1.8
Siam Selective	fin	0.6	Aug 12	1	0.6	1
Smith (James)	fin	3.1†	July 11	2.8	4.65	4.2
Worth Inv Trust	fin	0.1	June 29	0.1	0.1	0.1

Dividends shown pence per share net except where otherwise stated. †On increased capital. ‡Irish pence. ♠Maiden dividend. ☆ Second interim in lieu. ♥Second interim making 5.85p to date.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 18.05.94 Pool purchase price £/MWh	Final Prices for Trading on 28.04.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.70	11.17	11.17
0100	10.70	10.95	10.95
0130	10.70	13.40	13.40
0200	10.75	18.42	21.03
0230	10.90	18.42	21.03
0300	10.90	18.42	21.03
0330	10.70	18.42	21.03
0400	10.70	18.11	20.72
0430	10.70	11.80	11.80
0500	10.70	11.85	11.85
0530	11.00	11.80	11.80
0600	10.90	11.83	11.83
0630	11.00	12.72	12.72
0700	16.55	18.82	21.43
0730	22.84	21.41	24.09
0800	24.96	28.74	31.64
0830	24.92	41.70	44.72
0900	24.97	42.22	45.37
0930	24.97	41.93	45.02
1000	24.98	35.48	38.51
1030	24.85	32.35	35.33
1100	24.93	32.29	35.25
1130	24.94	32.40	35.40
1200	24.94	32.46	35.46
1230	24.93	32.21	35.15
1300	24.90	28.59	31.44
1330	24.74	24.72	27.44
1400	24.73	23.81	28.48
1430	23.94	23.38	26.04
1500	23.93	23.37	26.02
1530	23.27	23.37	26.01
1600	23.94	23.43	26.09
1630	24.74	25.43	28.12
1700	28.52	47.33	50.03
1730	29.52	47.24	49.92
1800	24.73	33.68	36.33
1830	22.84	24.93	27.55
1900	22.84	24.92	27.53
1930	20.46	20.68	23.30
2000	20.46	12.72	12.72
2030	11.94	20.70	23.31
2100	11.53	36.39	39.00
2130	25.08	36.39	39.00
2200	52.20	36.38	38.99
2230	52.20	30.77	33.38
2300	52.20	18.27	20.88
2330	16.81	12.70	12.70
2400	13.00	11.70	11.70

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for one day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8:30am and 5:15pm Monday to Friday.
©Energy Settlements and Information Services Limited

Dorling settles dispute with TBS

By Andrew Bolger

Peace has broken out in the war between Dorling Kindersley Holdings, the publisher of illustrated reference books, and its distributor, Tiptree Book Services, which is owned by Random House, the US publisher.

DK recently partly blamed computer problems at Tiptree for a 17 per cent decline in its pre-tax profits in the six months to December 31 – a claim disputed by Tiptrea, which said it refused to be made a scapegoat for DK's failure to meet the high expectations it had generated among shareholders.

DK said yesterday it would this summer transfer the distribution of its publications for the UK book trade and English-language exports from Tiptree to International Book Distributors, a Rugby-based company which is part of Paramount, the US media company.

As part of a confidential settlement, a compensation payment to DK for the loss of sales was partly offset by a payment to Tiptree for ending the distribution deal when it still had 14 months to run.

Mr Rod Hare, managing director of DK, said: "We had to ensure that our distribution this autumn would not be at risk – that was our paramount concern. Tiptree was confident that it could manage, but we decided not to take the risk."

He added: "The settlement will certainly improve our results this year, but I doubt whethar they will be significantly better because of the compensation."

DK had already transferred from Tiptree to International Book the distribution of DK Family Library, its direct-selling operation to homes and schools which was most affected by the problems at Tiptree.

Mr Hare said DK had lost a "significant proportion" of its network of Family Library agents, but this was being rebuilt as confidence in supplies returned.

DK's shares, which were floated at 165p at the end of 1993, had climbed to 351p last October, but plunged to 213p in December after the group issued two profit warnings.

The shares yesterday closed 5p higher at 293p.

Scottish Value Trust advances

By Graham Deller

Restructurings and other changes in companies within its portfolio helped Scottish Value Trust outperform its benchmark in the six months to end-March.

Net asset value rose 23 per cent over the half year to 119.63p per share, easily exceeding the FT-SE-A Investment Trusts Index, up 8.2 per cent over the same period.

Referring to the showing, Mr Bob Borthwick, chairman, highlighted the reconstruction of Ivory & Sime Enterprise Capital, which enabled the trust to realise a substantial profit on its holding of convertible loan stock and enhanced the underlying net asset value of its investment in the ordinary capital, and the restructuring and subsequent share price increase of Utility Cable, the former Baillie Gifford Technology, in which Scottish Value held a 26 per cent stake.

Earnings were 1.18p; the interim dividend goes up to 1p (0.85p) and a total of 2p (1.8p) is anticipated for the full year.

Charterhall disposal costs leave Seafield £24m in loss

By David Blackwell

Losses at Seafield, the Dublin-based transport and distribution company where the board is under fire from dissident shareholders, more than doubled from £11.1m to £24.2m pre-tax for 1993.

Turnover dropped to £27.5m (£45.2m).

Mr Brian Chilver, chairman, said the results marked the end of "the disaster created by the acquisition of Charterhall Properties in 1989".

Charterhall was sold last October resulting in a loss of £21.7m, including £17.5m of goodwill written off.

Profits from continuing operations fell from £1.1m to £804,000 on turnover of £17m (£18.7m).

Mr Chilver said this reflected increased competition in the European freight business following the continental recession.

Losses per share emerged at 35.4p (15.4p).

Dissident shareholders speaking for 35.4 per cent of the share capital have called for an extraordinary meeting on June 10. They want to replace Mr Chilver and another director with Mr Robert Cosby and Mr Tony Wilson, a former executive chairman of the group, because of the group's "dismal" trading record.

Mr Chilver, who is writing to shareholders this week, said Seafield was expecting "significant progress" this year after "three years of dealing with the errors of the previous management, led by Mr Wilson, which threatened the very existence of Seafield".

Anglo Irish Bank improves by 39%

By Gary Evans

A return to profitability from its London-based operations helped Anglo Irish Bank Corporation raise profits by 39 per cent from I£4.44m to I£6.15m (£5.99m) pre-tax for the six months to March 31.

Mr Gerry Murphy, chairman, said the performance reflected "the focused strategic approach of the bank". Prospects for the next six months were encouraging.

Mr Murphy said the bank would continue to focus on medium sized corporate and professional business, with a wide sectoral spread. He expected full year profits to be above last year's I£9.25m.

After-tax profits for the half year rose 40 per cent, from I£3.29m to I£4.61m. Earnings per share were 2.6p (2.39p) and an unchanged interim dividend of 1.38p is declared.

In the UK, quality loan demand rose significantly and the acquisition of the Chemical Bank UK loan book last autumn contributed to profitability.

Overall lending rose by 4 per cent, reflecting slack demand in Ireland. The chairman commented, however: "The lending division performed very well. Margins were maintained and bad debts contained."

Deposits were up to I£1.04bn, an 8.5 per cent rise on the year end figure and 22 per cent higher than at March 31 1993. Capital resources rose to more than I£174m in the period, with the combined impact of the recent I£58m rights issue and the addition of I£23m in tier two capital via the issue of subordinated loan stock.

Alba acquires Goodman Inds

By Graham Deller

Alba is to purchase Goodmans Industries, its rival consumer electronics group, for a maximum of £3.6m in shares and cash.

Goodmans, which specialises in in-car entertainment and domestic audio and visual products and ranks first in brand share in the home karaoke market, incurred a pre-tax deficit of £1.09m in the 12 months to end-January 1994 on turnover of £36.4m. Net assets at that date were £876,000. Until January 1993 it formed part of TGI, the professional and consumer audio manufacturer.

Mr David Harris, chief executive of Alba, which also takes in the Bush and Hinari brands, said: "Goodmans is an established brand name which will produce new opportunities for profit.

"The acquisition reinforces Alba's focus and adds another quality brand to our portfolio."

Alba will also subscribe for £700,000 of new Goodmans shares and fund the repayment of £250,000 of loan stock.

NEWS DIGEST

Hartlepools Water rises to £1.46m

Hartlepools Water achieved a 20 per cent rise in profits to £1.46m pre-tax for the 12 months ended March 31. Turnover of £5.52m compared with £5.31m.

Earnings worked through at 143p (128p) and a final dividend of 37p makes a 60p (55p) total.

James Smith Ests

James Smith Estates, the property investment company, reported pre-tax profits of £1.57m for the year to March 24, against £1.45m.

During the period net assets per share increased from 114p to 129p after taking into account a revaluation and the £12.4m placing and open offer in March.

Turnover fell slightly to £2.35m (£2.39m) resulting from a small number of voids. Recent purchases have increased the rent roll to £3.25m. Profits from sala of flats on long leases rose from £125,000 to £195,000.

As expected, the proposed final dividend is 3.1p making a total of 4.65p (4.2p) from earnings per share of 6.8p (6.3p).

Shirescot

Shires High-Yielding Smaller Companies Trust is to more than double in size through a placing and offer for subscription of conversion shares to raise up to £24m, net of expenses.

Shirescot, launched in the summer of 1992, is managed by Glasgow Investment Managers; it currently has a market capitalisation of just over £21m.

Williams de Broe has conditionally agreed to place 10.18m of the C shares at 100p apiece. A further 14.8m C shares are available under the subscription offer, which is not underwritten.

The shares will be converted into ordinary shares by October 14, when one new warrant to subscribe will be issued for every fiva new ordinary shares arising on conversion.

Telemetrix

Telemetrix, the supplier of specialised electronic components, test equipment and services, saw its share price fall 8p to 92p yesterday as the company issued a profit warning.

Mr Arthur Walsh, chairman, told the annual meeting that "although it is expected that second half earnings will be above those for the first half it is unlikely that full year earnings will exceed last year".

Last month the company announced that results from its US subsidiary were lower and the shares fell sharply.

Eaglet Inv Trust

Eaglat Investment Trust, which was floated last June, is raising about £8m net in a 1-for-3 rights issue at 113½p per share.

Proceeds of the issue, which is fully underwritten by Greig Middleton, will be used to invest in the smaller companies sector.

Baring Stratton

Baring Stratton Investment Trust, which aims for capital growth through an international portfolio, lifted its net asset value per share by some 17 per cent – from 215.4p to 251.1p – over the 12 months to March 31.

Gross revenue of £876,000 (£960,000) included £814,000 (£926,000) of investment income; a further £106,00 (£72,000) was received in gross scrip dividends and capitalised.

Attributable revenue dropped to £363,000 (£427,000), equivalent to earnings of 2.88p (3.39p) per share. The single distribution for the year is maintained at a proposed 2.29p.

Scottish Metro

Scottish Metropolitan Property has acquired aight retail investment properties within the Carlton Highland Hotel, Edinburgh, for £3.75m, at an initial yield of about 8 per cent.

The company has also let Kirk House, West Drayton, Middlesex, for 15 years at an annual rental of £160,000 to the Secretary of State for Health.

Worth Inv Trust

Net asset value per ordinary share of Worth Investment Trust declined from 26.73p to 22.63p over the 12 months ended March 31.

The trust invests predominantly in luxury and design-related businesses in Europe and the decline in asset value reflected the recent sale for FFr17.9m (£2.08m) of Seguin Moreau, the trust's largest investment.

Available revenue for the year slipped to £87,000 (£110,000) for earnings of 0.28p (0.35p). The single dividend is a same-again 0.1p.

NFC

NFC, the logistics and moving services company, has acquired SNT and Arden-Frigor, French chill distribution companies, for a total of FFr34m (£4m) plus assumed debt of FFr49.6m.

The acquisitions were made by NFC's French logistics offshoot, Exel Logistics France.

Wardle Storeys

Wardle Storeys, the plastics and safety equipment group which makes specialist parachutes, has exchanged contracts for the sala of land referred to in its interim report.

The deal – comprising the sale of nine acres adjoining the group's site in Brantham, Suffolk – will generate an exceptional profit of some £1.5m in the second half of this financial year and it is expected that no tax will be payable on the transaction.

Wardle will receive £1m cash on completion. A further £779,000 is payable on March 27 1995.

Prospect Industries

Prospect Industries, which provides specialist engineering services to the power generating and process industries, has revealed that it has won new contracts worth about £12.4m.

Contracts in the UK include repacking work for British Nuclear Fuels at Calderhall and Chapel Cross and for National Power at Drax. Other contracts were in Thailand and the US.

New Throgmorton

New Throgmorton Trust (1983), the split capital investment trust, reported increased net asset values over the year to March 31.

The figure for the capital shares with prior charges at par was 179.2p, against 164.4p. The fully diluted value was 171.3p (133.9p).

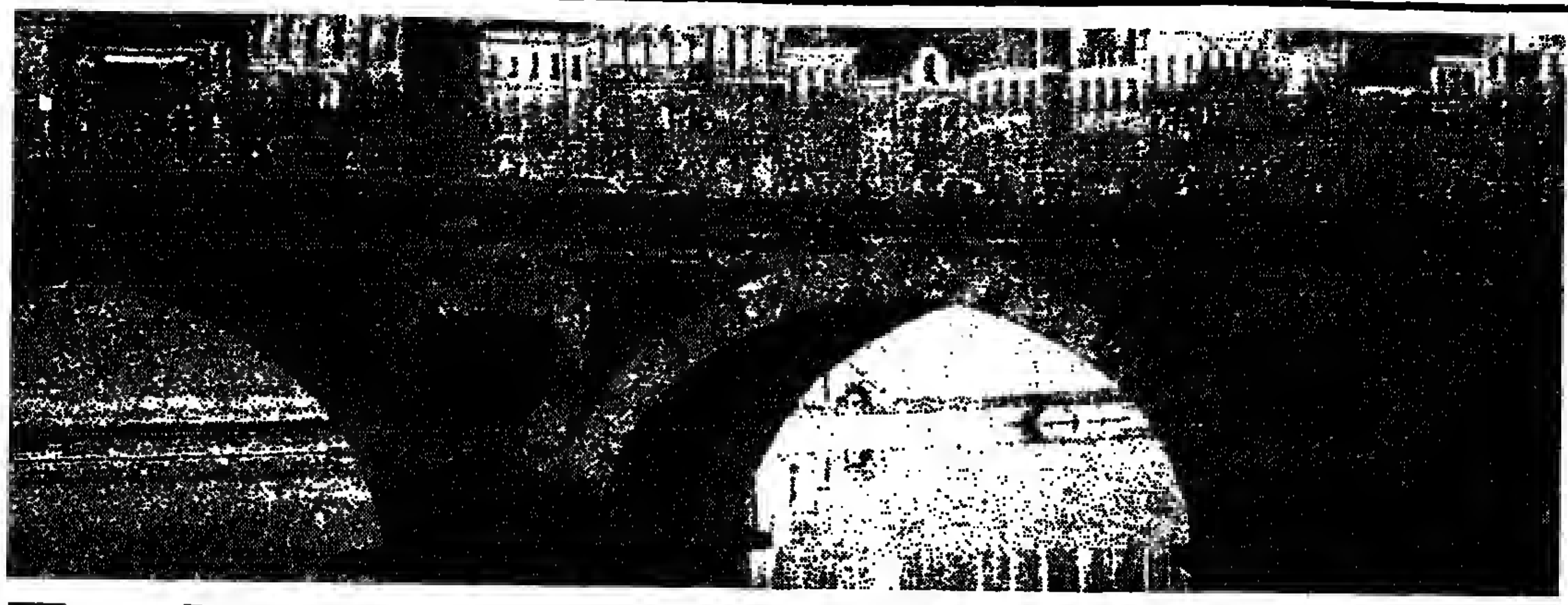
Lower dividend income contributed to a fall in net revenue to £1.85m (£2.15m) for earnings per income share of 4.72p (5.48p).

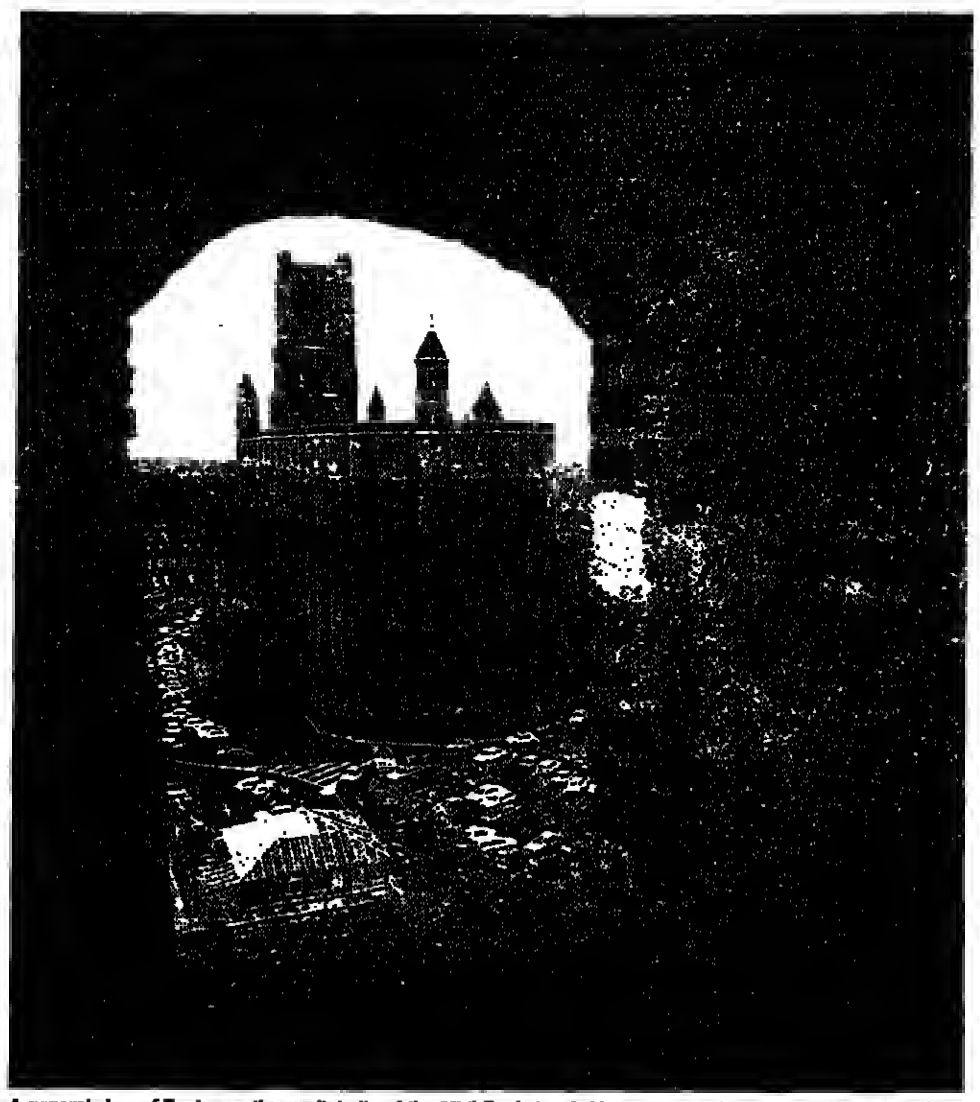
The proposed final dividend is cut from 2.25p to 0.25p leaving the total for the year at 4.75p (6.75p).

FINANCIAL TIMES SURVEY

TOULOUSE AND THE MIDI-PYRENEES

Wednesday May 18 1994



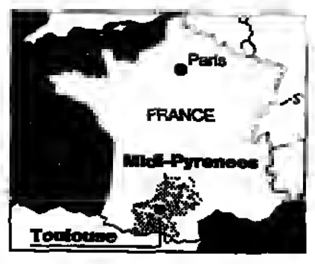


A general view of Toulouse, the capital city of the Midi-Pyrénées (left) and (above) St Cecile's Cathedral in Albi, a town with a growing tourist sector

photographs: Christian Kaysar, Thierry Blandino

Technology for a second take-off

Diversification and broader regional development are the challenges facing Toulouse and the Midi-Pyrénées, writes John Ridding, introducing this three-page survey of France's biggest region

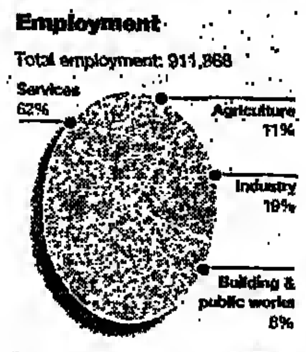


Toulouse, one of Europe's oldest university cities, has bet its future on brain power. So far, the bet has paid dividends.

Since the 1960s, the capital city of the Midi-Pyrénées has confirmed its position as a centre of high technology manufacturing and France's second university city and research centre. From Aérospatiale to Alcatel and from Motorola to Matra Marconi, many leading French and international groups have put down roots in the city and its environs.

They have done so partly because of the policies of the government in Paris, which has sought to reverse the concentration of economic activity in the capital. The decision in the 1960s to locate France's space and aeronautics research centres in Toulouse, followed by the later transfer of engineering schools and state-owned industry, laid the foundation for private sector investment in aerospace, electronics and related sectors.

Employment



Spared the burden of declining smokestack industries and blessed with an enticing environment, the city has proved a magnet for many of the leading industries of the next century.

But the success of the Toulouse experiment is not yet secure. Recession has shaken the aerospace sector and many of the city's other main industries, applying the brakes to its headlong expansion over the past three decades. Beyond the city limits, it is a similar story. From Tarbes, near the border with Spain, to Rodez in the north-east, the Midi-Pyrénées, France's largest region, is being forced to adjust to the harsher economic environment that is confronting traditional industry and agriculture.

The continued development of Toulouse now depends on the strategies being employed to ensure a rebound from recession. Equally important is the need to redress an imbalance between the development of the city and the rest of the region. "Our biggest problem is a problem of two worlds," says Mr Robert Marconis, professor of geography at Toulouse University. "Growth has not been diffused from Toulouse in the way that had been expected."

On the first count, the rebound from recession, Toulouse officials are confident. Mr Dominique Baudis, the mayor, points out that the decline in the aerospace sector, one of the city's largest employers, is a cyclical rather than a structural phenomenon. He believes, along with the management of Aérospatiale and Airbus, that recovery in the sector should be under way by 1996.

More important, perhaps, is Mr Baudis' argument that the Toulouse economy is increasingly less dependent on the aerospace sector. "Aerospace is an important engine for the economy," he says. "But we have a powerful electronics industry and have seen a promising diversification into new activities such as medical equipment and biotechnology."

Toulouse should also continue to benefit from an inflow of foreign investment. Storagetek, the US data storage group, is the most recent arrival and has pushed the number of foreign investors to almost 300 since Motorola built its first European plant in the city in 1967. Like many other international investors, Storagetek says it was drawn by the close links between industry and research centres such as Laas, the robotics and automation institute.

The strength of Toulouse's research base is vital. Not only does it draw investment from existing companies, it encourages the creation of indigenous small and medium-sized businesses. Mr Jean-Pierre Gilly, director of Lerep, the economic research institute, says that a number of new companies have sprung up around the larger aeronautic groups. The process has been stunted by recession and the region's relatively weak venture capital base. But it provides a source of growth.

For Mr Baudis, the research and technology base in Toulouse is also essential to compete with rival European business centres, from Montpellier to Milan. "If you look at European cities we are 50th in terms of size. Our strategy has to be to create a pool of excellence," he says. "We are in a difficult part of the cycle, but there is much more future in high technology and aerospace than in steel or cars."

If Toulouse has the capacity to rebound with a more diversified and high technology industrial base, however, the problems facing the rest of the Midi-Pyrénées are more complex. "The key problem at the moment is how to make the rest of the region dynamic," says Mr Marconis of Toulouse University.

For many officials in towns outside Toulouse, the rise of the regional capital has led to a concentration of resources and a vexing imbalance. "We need to have a more equal growth," says Mr Raymond Erraçaret, the pragmatic Communist mayor of Tarbes, and a critic of what he calls "Toulousain imperialism".

Tarbes, like other towns in the Midi-Pyrénées, is attempting to adjust to the pressures facing traditional industry. Giat, the arms manufacturer, is just one example of an important local employer that is cutting jobs and reducing production. In Albi, to the north-east of Toulouse, the challenge is to replace the jobs and subcontractors removed by the decline of the mining sector.

Gross domestic product (FFr m)

Year	Region	France
1987	187,790	5,336,652
1988	199,978	5,735,092
1988	222,929	6,159,060
1990	235,549	6,491,977
GDP per capita (in FFr)		
1990	95,894	114,671

Sources: Atlas des regions 1993, Insee

In most cases, the strategies being pursued are bearing fruit. Adirac, a public and private sector association which promotes industrial development in Albi, has created more than 2,000 jobs, partly through the support of a venture capital fund which targets small and medium-sized industry. The development of its tourist sector, a growth area for all of the region, has also strengthened Albi's resilience, while the transfer of some faculties from Toulouse University, including materials research, should encourage industrial investment.

How far such transfers should go is a hotly debated topic. "There is an important gap and we should reduce it," says Mr Baudis, referring to the imbalance between Toulouse and other regional cities.

But for him, as for most observers, the solution lies in providing the means for neighbouring towns to share in the growth of Toulouse rather than depriving the regional capital of resources. This could be facilitated, for example, through an improvement in communications and transport networks. The recently completed autoroutes to Albi and Tarbes are examples of this strategy.

For Mr Baudis, there is a need to go further. In particular, he sees the potential for a high-speed railway link, bypassing Bordeaux on its way from northern France and heading on to Narbonne and Barcelona. Such a project would strengthen the close economic and social links with Spain and present Toulouse as the crossroads between northern Europe and the Iberian peninsula. Plans have long

Continued on next page

TOULOUSE AND THE MIDI-PYRENEES 2

Despite their differences, all face similar challenges

A tale of three cities

The new autoronte from Albi to Toulouse has cut the journey time to just 45 minutes. Still heading south-east, another stretch of highway can get you from Toulouse to Tarbes in an hour and a half. But if expanding motorway links between tha region's big cities has brought them closer togethar, they remain distinct in terms of identity, politics and culture.

That much is apparent even from a cursory study of three of the region's largest towns. Toulouse has a right-wing mayor, a developed high-tech industrial base and covers an area almost as large as Paris. Albi, with its picturesque town centre built around a magnificent Gothic cathedral, has a socialist mayor and an industrial tradition in mining and metallurgy. Tarbes, with its Communist mayor, is less picturesque. But it is nestled at the foot of the Pyrenees, close to Spain, with which it enjoys close cultural and social contacts.

Such diversity is hardly surprising given the size of the Midi-Pyrénées region and the conflicting pressures and attractions to which it has been subjected over the ages. But there is also a common thread behind the development of Tarbes, Albi and Toulouse. All have been shaped to a certain extent by their relationship with the French state and their strategic importance.

The proximity of Tarbes to the Spanish border, for example, explains its role as a traditional arsenal town. It is still home to substantial defence industries, such as GIAT, a manufacturer of tanks and armaments. Albi, one of the strongholds of the Cathar religious movement in the early centuries of the millennium, became a focus of the struggle between central power and regional sentiment. The cathedral, built like a fortress to impress the strength of church and state on the surrounding region, stands as testimony to the tradition of local identity.

Toulouse, itself one of the most important power bases outsida Paris for much of French history, rapresents a more modern example of the ralationship between the French state and the regions. Through the policies of Datar, the state organisation for regional development, it has become one of France's most successful cases of decentralisation. Its high technology industries in aeronautics and space have been built around the universities and research centres removed to the city in successive stages since the 1960s.

Despite the separate historical and economic traditions, all threa cities face a common challenge of adjustment. The closure of much of the coal-mining industry in Albi-Carmaux has forced the city to look to new investment and a more diversified industrial base. "The area has been hit by the closure of mines and of a military barracks" says Mr Hubert Gallais, head of development at Adirac, the agency charged with encouraging local investment. "But we are rebounding. We have created 2,000 industrial jobs through our policy of conversion."

In Tarhes, the economic downturn has been felt through the city's largest employers. GIAT, for example, has shed jobs as a result of reduced defence expenditure in France and abroad. "First we have to save the big groups," says Mr Raymond Erraçaret, mayor of Tarbes. "But we also need to restructure the regional economy."

In Toulouse, the problems are possibly less severe. The strength of its high-tech industrial base means the economic downturn is cyclical rather than structural. But it is faced with the need to diversify its production and its markets.

The problems of adjustment bring occasional friction between the cities of the Midi-Pyrénées. Mr Erraçaret, mayor of Tarbes, for example, criticises the "Toulousaine imperialism" which has seen the regional capital expand much more rapidly than the rest of the region. "Development has been too centred on Toulouse", says Mr Michel Castel, his counterpart in Albi.

In the case of Tarbes, the physical distance from Toulouse is prompting closer links with neighbouring cities. In particular, Mr Erraçaret sees the potential for economic and social co-operation with Pau, which is in the neighbouring Aquitaine region, and Lourdes, the nearest town in the Haute-Pyfenées department. An agreement to share hospital resources could represent the first step in the creation of a "Pyrenean Metropole".

But there is also pressure to integrate more closely the principal towns of the Midi-Pyrénées region. "We have to extend regional links," says Mr Dominique Baudis, mayor of Toulouse. "There is an important gap between Toulouse and the rest of the region and we should reduce it," he says. He adds, however, that this should not involve curbing the development of Toulouse, but rather the development of communications and commercial links with the other towns.

This process is already under way. In addition to the construction of auto-routes, the towns co-operate in attracting foreign investment. Agreements between metropolitan Toulouse, which promotes investment in the city, and BRIA (the regional development agency) mean, for example, that potential investors are offered sites in Toulouse and the outlying areas.

In education, some of the department of Toulouse University have been relocated to regional cities such as Albi. Although at an early stage, this should allow a repeat of the experience in Toulouse, where industry has been attracted by the educational and research base.

Political affiliations do not appear to present an obstacle to increased regional integration. Mr Castel's light pink shirt reflects his moderate ideology. Mr Erraçaret, like many Communists in the region, comes from a tradition of pragmatism rather than polemics. "I don't think party politics makes a difference in regional development," he says.

Nonetheless, it is regarded as a vital issue. For many observers it is the most important challenge facing the Midi-Pyrénées. "We have a situation of two worlds – Toulouse and the rest of the region," says Mr Robert Marconis, professor of geography at Toulouse-Mirail university. "It is important to create a more balanced growth."

Total population in thousands

	1985	1987	1989	1990	1993
Midi-Pyrénées	2,346.9	2,362.7	2,385.6	2,430.7	2,475
France	55,061	55,506	54,334.9	56,614.5	57,527

City	Population (1990)	Inhabitants per sq km	Density by département*
Toulouse	650,336	1,052	147
Tarbes	74,639	1,015	50
Albi	62,182	650	60
Montauban	51,224	379	54
Rodez	39,011	550	31
Auch	23,135	319	28
Cahors	20,000	305	30
Pamiers	17,000	283	28

* per square kilometre — Source: INSEEF

Tarbes: seeking to adjust to pressures facing its largest employers — Thierry Blancho

■ INDUSTRIAL LOCATION

Education and research bring in the foreign investor

Take a drive around Toulouse and the importance of foreign investment to the local economy quickly becomes apparent. From Siemens of Germany to Sony of Japan and Motorola of the US, many of the world's largest business groups have their names on manufacturing or research centres in the city and its environs.

It is a similar story in the region as a whole. A total of 284 foreign companies, in manufacturing and services, have invested in the Midi-Pyrénées – from agricultural groups in the Haute Garonne department to automobile components in Aveyron. Foreign companies now account for almost 30 per cent of the region's industrial investment and about 24 per cent of its industrial workforce.

Such a substantial presence is explained by several factors. In Toulouse particularly, much of the attraction lies in the strong edncation and research base which is available to industry. Ms Florence de Villoutreys, director of human resources at Storagetek, the most recent foreign investor in Toulouse, says that it took just six weeks to find the six engineers needed for the data storage group's initial product line.

According to Ms de Villoutreys, the US group decided on Toulousa as an investmeut location after a three-year study of 27 sites in nine countries. In addition to the skilled workforce in Toulouse, sbe says the links with research institutes were an important factor in the final decision. In March, the company signed contracts with two engineering and science institutes to work on their robot and data reading systems.

Similar arguments are expressed at Motorola, the first foreign electronics group to make a significant investment in the region. "We have always had a close relationship with the research centres here," says Mr Rohert Aschieri, chairman of Motorola France, citing as an example the development of high efficiency switching systems for electric lights.

Motorola has expanded steadily in Toulouse since its first factory was built in 1967. It has added higher valua added semiconductors to its product range from the site and is now planning to build a pure research laboratory for advanced chip technologies.

The scale of foreign investment which has flowed into the area since Motorola put down its roots is partly the result of a "coat-tails" effect. "It was encouraging for us that Motorola was here," says Ms de Villoutreys of Storagetek. She adds that many of the company's customers, including Aérospatiale and Meteo France, the meteorological agency, are located in the city.

Emphasis on the operating environment, rather than on financial incentives

The rise in foreign investment also reflects an aggressive search by local authorities. The search has heen strengthened since 1988 when Mr Dominiqne Baudis, the mayor, established Metropolitan Toulouse, an agency charged with promoting investment in the city and its environs. The organisation has joined forces with BRIA, the regional development hody, with which it co-operates to secure foreign investment throughout the Midi-Pyrénées.

Foreign companies are offered a number of sites in the region, says Mr Jean Barcellini, bead of Metropolitan Toulouse. "Some may be attracted to Toulouse because of its strength in R&D, hnt others may have reasons, such as costs, to be in the countryside or near one of the other towns." For instance, Storagetek was shown sites in Albi and Montauban before deciding on the regional capital.

Mr Barcellini says his organisation has helped draw about 20 companies to the area since 1988. He is currently involved in advanced negotiations with nine potential investors, five from the electronics sector, and two each from the aerospace and medical fields.

Tha challenge, he admits, has become tougher. Increased competitiou from other regions in France and from abroad has coincided with the impact of recession to reduce the potential candidates and increase the uumber and quality of offers they receive. "Yes, it is harder, so we have to concentrate on our strengths," says Mr Barcellini.

For Toulouse this means an emphasis on the operating environment, rather than on financial incentives which can be offered to prospective investors. "In the region we can offer financial support, but in Toulouse this is relatively limited," says Mr Barcellini. "Our advantage is the infrastructure we possess, in terms of communication and in terms of science and research."

Such factors should continue to work to the benefit of Toulouse and the Midi-Pyrénées. The trend of foreign investment is shifting away from low-cost labour sites towards what Mr Barcellini describes as "low brain cost delocalisation". France's second largest university town, and one of its principal centres of high-tech research, should therefore retain a sharp edge in the competition for foreign capital.

Profile: DOMINIQUE BAUDIS OF TOULOUSE

The mayor's strategy

Mr Dominique Baudis, mayor of Toulouse, puts the emphasis on quality rather than quantity. "It is not my vision for the city to grow to millions of people," he says. "What I want is to create a pole of excellence, not a gigantic town."

It is a strategy which, so far, has worked rather smoothly. Although only Europe's 50th city in terms of population size, Toulouse has drawn some of the biggest names in leading edge industries. Airbus, Aerospatiale and Motorola are just some of the companies which, drawn by the city's strength in research and development, have established headquarters or substantial operations there.

But Toulouse has not been spared a bout of the turbulence which has shaken France in the past few years. "Like every town, we have been hit by the crisis. Since 1991, we have lost jobs," says Mr Baudis, pointing out that the unemployment rate has risen to the national average of just over 12 per cent of the workforce.

In Toulouse, the downturn has heen exacerbated by the depression in the international aerospace industry. Mr Baudis describes the sector as the "engine of the economy", hut rejects criticism that it is too dominant in the city's economic structure.

"It is fashionable to say that we are too concentrated ou aerospace. But even today we produce 15 aircraft a month compared with seven 10 years ago," he says. "In 1995 to 1997 we will see another increase," he predicts, adding that, unlike steei or cars, the problems afflicting aerospace are cyclical rather than structural.

Mr Baudis is also keen to emphasise that Toulouse is not a one-industry town. He points to the rapidly growing electronics sector, the rise in biotechnology industries and the importance of service activities to demonstrate the degree of diversity in the local economy. "We are the second centre in France for software development," he says, citing the decision by Storagetek of the US to site a large operation there.

The arrival of the US group is the latest step in a familiar pattern. Much of the rise of Toulouse, from industrial backwater to high-tech manufacturing centre, can he explained by its ability to attract capital from the rest of France or abroad. France Mateo, the meteorological institute, and Air France are just two of the scalps collected by Toulouse over the past year in its drive for inward investment. To maintain the process, Mr Baudis sees a need for "balanced development" – the promotion of cultural, scientific and urban projects to strengthen what he calls the "quality of life aspect" of Toulouse.

Dominique Baudis: hops for high speed train link to Barcelona

Such "balanced development" allows Mr Baudis to aim for several targets at once. The urban renovation projects also provide a Keynesian boost to the economy to help it through its current problems. "We are working now to intervene to support economic activity by big investment projects," says Mr Baudis, citing the decision to bring forward the FFr3bn project to construct the second line of the city's metro.

Fiscal stimulus, however, is not to be achieved at the expense of the budget. Mr Baudis has reduced the city's debts from FFr2.9bn five years ago to about FFr600m today. This has been achieved despite a policy of maintaining local taxes at their current rate for the past six years – a strategy regarded as necessary to encourage corporate investment.

The future prospects of the city, however, need a broader perspective than its budget situation and the list of public works under way. Critics of the development of Toulouse, and there are many in the city's universities, believe that it remains an artificial creation, built through the decentralisation of research centres and industry and lacking deep roots in the surrounding region. The criticism is repeated by representatives of neighbouring towns who say the region's economy is dangerously centred on Toulouse.

Mr Baudis accepts that more must be done to increase economic links with the rest of the region. "There is an important gap and we must reduce it." He says the construction of autoroutes from Toulouse to Albi and Tarbes is a step in the right direction and should be followed by an expansion of the regional railway network.

He points out, however, that the development of Toulouse is in the interests of the neighbouring cities. "There are many indirect effects," he says, adding that he favours the growth of regional centres, rather than curbs on Toulouse.

The need for extended communications, however, spreads well beyond the neighbouring towns of the Midi-Pyrénées. Of particular significance is the developmant of commercial and social ties with Spain.

Various initiatives are under way. The C6, for example, which groups Toulouse, Montpellier, Barcelona, Saragoza, Palma-Majorca and Valencia, is designed to promote economic co-operation among these cities. For Mr Baudis, the main target is Barcelona, which he describes as the "motor of Spain." He hopes for a high speed train link which will bypass Bordeaux from northern France on its way to Toulouse and down to Barcelona.

Given the financial situation of SNCF, the French railways system, such a project is not likely in the near term. But once built, it would pnt Mr Baudis' town still more firmly on Europe's economic map.

Technology

Continued from previous page

been on the drawing board for such a project, but are unlikely to be realised in the next 10 to 15 years.

Of more immediate concern for many of the inhabitants of the region are the probiems afflicting the agricultural sector. The biggest imbalance, however, lies between the towns and the countryside. The effects of the European Union's common agricultural policy and the production cuts demanded by the Uruguay Round of international trada negotiations have added to the hardships of the farming community and fuelled the long-term trend of rural exodus. Mr Etienne Lapeze, vice-president of the FNSEA, the agricultural workers' organisation, estimates that 10,000 of the region's 80,000 farms could disappear as a result of the CAP and Gatt.

The impact on the Midi-Pyrénées has been particularly hard because of the lack of agricultural processing industry in the region. "We are mainly primary producers in areas such as cereals and oil products," says Mr Lapeze. "It is vital that we invest more in agriculture."

Also important, he argues, is the need to extend production in new sectors. He cites the seeds industry as one important area of development for the agricultural sector. Without such investment and the introduction of higber value added agro-industries, the gap between town and country, and particularly between the agrarian economy and Toulouse, seems set to widen.

The region is suffering the 'unemployment of growth'

Test of economic strength

The recession which has blighted the French economy since the end of 1992 has not spared the Midi-Pyrénées. In Toulouse, as elsewhere in the region, unemployment has risen to the national average of just over 12 per cent as contraction in the international aerospace industry has compounded the pressures facing traditional textiles, mining and agricultural industries.

But just as the region surrounding Toulouse retains a sense of cultural and political autonomy – stemming from its historical role as a powerful and distant provincial city – so its economy possesses its own peculiarities. Its strength in high technology, for example, suggests that the economy's foundations may not be as badly shaken as cities elsewhere and that Toulouse and the Midi-Pyrénées may be better placed to resume expansion once the economic environment improves.

The particular nature of the local economy is reflected in its employment trends. Mr Robert Marconis, an expert in regional development at the University of Toulouse-Mirail, describes the rise of joblessness in the city and its environs as "the unemployment of growth".

Unlike northern France, he argues, where jobs have been lost through large-scale redundancies, Toulouse has continued to create employment and has drawn economic migrants to the regional capital. Between 1982 and 1990, for example, the population of the city and its environs swelled by about 100,000 – partly as a result of people from outside seeking job opportunities in the area.

A second, equally important characteristic of the regional

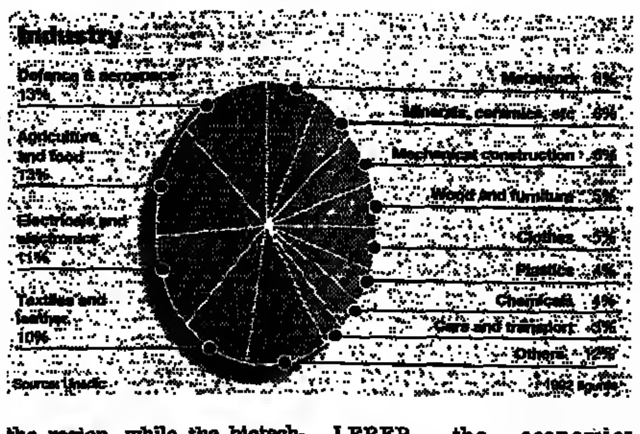
The foundations may not be as badly shaken as in cities elsewhere

economy is the importance of cyclical rather than structural problems in its industries. A case in point is the aerospace industry which, with Aérospatiale, Airbus and s host of subcontractors is one of the most important manufacturing sectors in the region.

When the international aerospace industry sneezes, Toulouse and its environs – with more than 30,000 employees in the sector – catch cold. The deep chill which has afflicted aircraft orders over the past few years has had a significant effect. Aérospatiale, for example, plans to reduce staff in the region by between 700 and 800 this year in response to declining orders and losses of FFr3.8bn in 1992 and 1993.

But the problems facing the aerospace sector are likely to prove temporary. "We have seen the worst of the downturn and we can expect recovery sometime between 1996 and 1997," says Mr Bernard Keller, director of communications at Aérospatiale and a member of the regional development committee.

The resistance of the Toulouse economy has also been helped by a nascent, if growing, diversification. The electronics and software industries have established themselves in the region, while the biotechnology and pharmaceuticals sectors are currently expanding in Toulouse and nearby.



For the region's older industries, however, the situation is more difficult. Textiles have been hit hard by the impact of cheap imports, notably from Asia, although Mr Jean-Pierre Gilly, a research director at LEREP, the economics research centre, argues that many companies have been able to fight back through the introduction of higher value added products and relatively high productivity.

In mining and metallurgy, the downturn has been less equivocal. Over the past 20 years, the mines in the Albi-Carmaux area havs seen employment fall from almost 7,000 to about 300 today. The dspressed aluminium market and the removal of the price advantage of hydro-electricity following the establishment of nationwide energy prices by Electricité de France, have raised a serious question mark over the regional operations of Pechiney, the state-owned aluminium group.

In areas with declining traditional industries, the response has been to diversify and to implement policies of reconversion. In Albi, for example, Adirac, a development organisation which groups local government and industry bodies, has created 2,000 jobs over the past nine years. It has done so partly through Sofirem, a venture capital organisation, which has provided funding to local companies.

Albi, unlike much of the the Midi-Pyrénées, has the benefit of an industrial tradition. Elsewhere, the lack of an entrepreneurial or industrial background represents an obstacle to the creation of new enterprises. "We never had an industrial bourgeoisie here compared with some other cities such as Lyon," says Mr Marconis. He says the region remained on the margins of the industrial revolution in the 19th century, partly because of the tendency of the dominant landed classes to invest in property and real estate.

The reeult has been thet much of the region's industry has been imposed from outside,

Much of the region's industry has been imposed from outside

often as the result of the transfer of research and infrastructure by the state. Again, the aerospace and aeronautics industry provide a case in point. President de Gaulle's decision to move the top engineering and pilot training schools to Toulouse and the establishment of the CNES aeronautics centre there in the 1960s provided a hub for the sector's expansion.

There are increasing signs, however, of spontaneous local business development. The strength of scieutific and research institutes hae prompted the creation of a number of small companies working either as sub-coutractors or niche players in the aerospace, electronics and biotechnology sectors. Mr Gilly describes the development of a "tissue of small and medium-sized companies" in the electronics and aerospace field, citing the example of Verilog, which specialises in computer systems for satellites.

The pace of this development has been slowed by recession. In several cases, such as Verilog, the lack of capital has resulted in acquisitiou by larger groups. But most industrialists in the region believe the process will regain momentum once the economy shows evidence of recovery. Here too, there are encouraging signs. Insee, the national statistics office in Paris, argues thet France is now emerging, if gradually, from its malaise. As it does so, Toulouse appears well placed to benefit.

■ AGRICULTURE

Little farms and little industry

Beyond the high-tech centre of Toulouse and the industrial towns of Tarbes, Albi, and Rodez lies a vast rural region – bigger than Belgium or the Netherlands. A world apart from the space research and electronics design conducted in the regional capital, it has its own economic structure and its own concerns.

Over the past few years, these concerns have become more pressing. Mr Etienne Lapeze, president of the regional agricultural industry federation, cites a lengthy list of problems, from rural migration to the effects of Europe's common agricultural policy and the impact of cheap imports. He believes that the challenges can be overcome, but not without significant adjustment.

At the root of the various problems lie some traditional weaknesses in the region's agricultural sector. Dsspite steady growth in recent years, farms in the Midi-Pyrénées are relatively small – 51 per cent are less than 50 acres, and only 13 per cent bigger than 124 acres. As a result, investments to improve productivity or irrigation have been constrained.

More seriously, the region suffers from a relative lack of agricultural industry. "We have a huge agricultural region but a weak processing base," says Mr Georges Bories of INRI, the agricultural research institute. "Much of the raw materials are shipped elsewhere for treatment."

Such weaknesses have been compounded by the liberalisation of the French agricultural market – a result of the CAP and the Gatt accords concluded last year after much protest from French farmers, particularly in south-west France.

The effects, says Mr Lapeze, have been severe. In addition to the reduction in prices for agricultural products such as cereals and oil seeds, he argues that the measures have penalised farmers who invested to make their land more productive. To illustrate the point, hs cites the case of a farmer who produces three tonnes of cereal per hectare and another who produces just one tonne. With the fall in prices per tonne from FFr3 to FFr0.90, resulting from liberalisation, and with a subsidy of FFr3,000 per farmer, it is the more efficient producer who suffers.

For Mr Lapeze, Gatt negotiations have brought few benefits to offset such costs. "Gatt has weakened rather than strengthened the rules of agricultural trade," he says, adding that factors such as social protection must be taken into account. The impact of Chilean apple imports, for example, would be much reduced, he argues, if there were international rules to safeguard working conditions and social protection there.

To counter these challenges, the region's agricultural organisations have embarked on strategies of diversification and a focus on increasing the value of production in the sector. One example is the seeds industry, which has seen considerable development in prodnction and research. Large companies in the sector, such as Rustica and France-Mais, have established bases in the region and are working with local research institutes to develop the sector. Successes include resistant and high yield seeds for maize, which have seen strong demand from French farmers.

"It is a sector which is very important for the future," says Mr Bories. "It has a high value added content, and the Midi-Pyrénées has already established a strong base in research and development."

From Roquefort cheese to garlic, producers are seeking brand identities

Traditional products are also being steered towards an emphasis on higher value. This is partly being achieved through the introduction of labelling and the establishment of brand image. From Roquefort cheese to garlic, cassoulet and beef, local producers are seeking to establish brand identities. "If you can distinguish yourself from other products, then you can establish an image of quality," says one farmer. "This brings protection against competitors and falling prices."

The biggest potential for value-added production, however, lies in the creation of large agro-industrial groups in the region. To encourage the process, the region's agricultural co-operatives and agro-industrial groups have formed a joint body, called Promia, to help develop links between research organisations and the public and financial sectors. "The resources are present," says one Promia member, "but we have to strengthen our activities in processing and in areas like branding."

The success of such initiatives will determine whether ths agricultural sector can resist the increasing pressures it faces. Mr Lapeze estimates that the region's 80,000 farms will fall to 60,000 as a result of demographic trends – in particular, the ageing of the rural population. A further 10,000 farms could be threatened by the impact of Gatt and the common agricultural policy. But he is optimistic. "We have a resilient culture and some formidable trumps," he says. "A focus on quality and investment should allow us to keep many of these jobs."

Paul Cheeseright examines the region's academic-industrial nexus

Brain, not brawn, is the key to the future

Sunflower husks can be turned into cellulose and used as a thickening agent in paints. This was established at an agri-industries laboratory in Toulouse where scientific work is taking place in an effort to breathe new life into the harassed agricultural sector.

Every year students arrive at the design centre of Aérospatiale-Avions, where the Airbus is assembled, and take part in research projects, while Aérospatiale sngineers provide tuition at the two graduate engineering schools, the *grandes ecoles*, with which it maintains close relations.

Pierre Fabre, the second largest privately-owned pharmaceuticals group in France, will by the end of this year establish an international centre to study skin ageing at one of the Toulouse university hospitals.

These links between the academic and research world, on one hand, and

The nearer the idea gets to the marketplace, the greater will be the private sector's interest

industry, on the other, point to the broad economic and scientific policy espoused by national, regional and local government and paid at least lip service by the private sector.

This policy is to assure economic growth and sharpen an international commercial edge by creating a cluster of industries and academic institutions, where each feeds off the other and the future is brain, not brawn; white collar, not blue collar.

In terms of people, the infrastructure is already there. Figures trip off the tongues of Toulouse enthusiasts: uearly 90,000 university students, four universities, 10 graduate engineering schools in and around, about 350 research laboratories, about 11,500 research workers, 10,000 jobs created a year and so on.

But in terms of securing a future through growth, the policy is unproven. Recession has shown no mercy. Unemployment in Toulouse has not been less than the national average.

What is clear, however, is the paramount role of the public sector. Of the 11,500 research workers, the private sector, according to official figures, employs just 1,500. Most of the university laboratories are supported either by the National Centre for Scientific Research (CNRS) and ths National Institute for Health and Medical Research, both state bodies.

CNRS officials note that it directly manages 20 laboratories in Toulouse and is in association with 40 others. Not that there is anything surprising in this. The scientific research the laboratories undertake will have a commercial application only in 10 or 12 years' time. "In a public laboratory we must be creative," says Mr Gerard Goma, who runs a biochemical and food engineering laboratory.

Such creativity is now spinning off into joint research ventures between the public sector institutions and Matra on space computing, Alcatel on multimedia communication, Technofan on turbomachine acoustics and Siemens on automotive electronics.

Fabre is France's second largest privately owned pharamaceuticals group *Thierry Bitandino*

Such joint activity is more widely practised in the Midi-Pyrénées region than anywbere else in France. Clearly, the nearer the scientific idea gets to the marketplace, the greater will be the interest of the private sector.

But in some cases relations between the public sector scientists and industry are bound to be difficult. Mr Michel Wright, research director of a pharmacology and toxicology centre, says that as a public laboratory, it has to publish its results, but this is unacceptable to pharmaceutical companies, the main potential clients for its work.

"The best way to collaborate with the pharmacentical industry is to provide them with complementary results, exploring along the lines of their own interests," Mr Wright says.

More generally, the classic form of contact between a company and a laboratory is the research contract, where, in effect, companies are using the expertise of state institutions to undertake work which they cannot, or are unwilling, to do themselves.

The extent to which this is taking place is difficult to gange precisely. Mr Alain Costes, director of the centre for automation and systems analysis, calculates that 220 such contracts are signed each year in Toulouse. City officials variously claim 700 or 1,000 contracts a year.

Of these contracts, 70 per cent are signed by companies employing 500 or more people, suggesting that in France, as in the UK, there remains the perennial economic problem of how to raise the technological levels of smaller companies.

Technology transfer in Toulouse is seen largely as a question of bringing companies and the broad academic sector into collaboration. Specialists in this area acknowledge that little has so far been achieved in spreading expertise into small manufacturing companies.

Mr Costes has tried to solve this problem by setting up affiliate clubs whereby his institution can reach small companies via large companies that already have relations with the laboratory and sub-contracting arrangements, and via colleges, lower down the academic strata, with which small companies are more likely to have contact.

Smaller companies probably are most likely to be drawn into the industrial-academic nexus through larger groups, as assemblers, like Aérospatiale, redefine their relations with component suppliers and their sub-contractors. The overriding demand for quality and safety in the finished product creates its own demand for higher technology.

In Toulouse, it is acknowledged that there is a lot to learn and deep cultural divides to cross. As one businessman noted of the academics, they are very good at devising products and coming up with ideas, but they are bad at industry.

The region's top sport derives from Great Britain

Where rugby is rife

The taxi driver from Castres is silent as he steers his Renault along the road to Toulouse. Silent, that is, until mention of the word rugby. "Thousands of us went to Paris for the championship final last year," he says proudly, before launching into a scrum-by-tackle analysis of the victory over Grenoble.

It is a familiar topic in the Midi-Pyrénées. Mr Michel Castel, the mayor of Albi, becomes visibly excited when the sport crops up in conversation. From then on, investment strategies and the prospects of his Socialist party are described in terms of teamwork, tries and conversions. Professor Rémy Pech of Toulouse-Mirail University, author of a book on the history of rugby, is similarly animated by the subject. A former player himself, he describes how his father would cycle 150km from Narbonne to watch ths regional final in Toulouse.

Such a common enthusiasm in such an ostensibly disparate group of characters reflects the importance of rugby in the region. "All the people here care about rugby," says Prof Pech. "It provides a powerful social bond at every level, from quartier to village, town and city."

It has done so for the best part of a century. News of the game travelled east from Bordeaux in the 1890s and quickly took root in the Midi-Pyrénées. As in Bordeaux, there was an important British influence in the birth of the game. For example, Higgens, the captain of one of the first Toulouse teams was the son of the British consul.

The expansion of the sport was rapid. From urban teams based on professions, notably vets and miners, rugby passed to villages and rural districts. Schools, according to Mr Pech, played a valuable role in rugby's dissemination throughout the region.

The reasons behind the rise of rugby in the Midi-Pyrénées are as numerous as the local teams. For Mr Castel, the sport gives expression to the character of the region's inhabitants. "It combines our Latin fire with the sense of teamwork and community," he says. "Rugby accommodates all types of people, from the large powerful forwards to the smaller fast wingers. When you look around the street, you can imagine a position for everyone."

The amateur status of the sport, and the strict rules which govern it, have also encouraged strong ties with the local communities. Mr Labbe, treasurer of the Stade Toulouse rugby club, points out that, unlike in soccer, it is extremely difficult to transfer rugby players from one club to another. The players must have a licence to represent their team and this requires a job or a student certificate. As s result, teams are largely comprised of local players.

There are exceptions. Rob Andrew, the England captain, played for Toulouse in 1992-1993. Emile N'Tmack, the quicksilver Tonlouse three-quarter who also plays for the French national team, came originally from the east of France. Such exceptions, however, tend to confirm the rule. Andrew had to find a job with a local company. The Toulouse club helped relocate N'Tmack's brother and mother when he decided to join them.

Despite its strict codes and amateur status, the attraction of the game is strengthened by the social and economic opportunities it provides. Laurence Spanghero, one of six rugby-playing brothers in an Italian immigrant family, used his fame on the rugby pitch to develop his Cassoulet food empire. A local government representative in the Pyrenean town of Tarbes refers to employment advertisements in which rugby skills are cited as an advantage for applicants.

Unsurprisingly, given the level of local support for the sport, the region has emerged as a powerhouse of French rugby. Many of France's leading teams, from Castres to Colomiers and from Toulouse to Tarbes, come from the Midi-Pyrénées.

While Castres claimed the championship last year, Stade Toulouse look good for the 1994 title. Training in the Stade des Sept Deniers, the players work together as a slick unit. In the play-offs, they have already overcome an important hurdle by beating local rivals Colomiers by 32-12. Should they go all the way to the trophy, their exploits will provide any conversation that is needed in the taxis of Toulouse.

Rugby – "a powerful social bond at every level, from quartier to village, town and city"

COMMODITIES AND AGRICULTURE

Copper and coffee keep London's bull run going

By Our Natural Resources Staff

Copper and coffee markets remained the prime targets of investment fund buyers yesterday, with prices adding to recent prodigious gains. But the party appeared to be over for oil traders as nearby prices for North Sea crude slipped back below $16 a barrel.

The London Metal Exchange reported another eteep drop in its copper stocks yesterday, triggering fresh fund and speculative buying. This not only sent copper's price spiralling upwards again but dragged other metal prices along with it. Copper for delivery in three months was $2,220.50 a tonne at the close but prices surged again in the final minutes of LME after hours "kerb" trading and the red metal moved to its highest level for 15 months, to $2,229, up $50 from Monday's kerb close.

LME copper stocks fell by another 18,625 tonnes to a fresh one-year low of 406,075 tonnes.

Mr Ted Arnold, metals specialist at Merrill Lynch, suggested that only copper and aluminium among the LME metals had any fundamental reasons for price rises, although "the fundamentals for lead are slowly turning in its favour."

He said that there had been some panic buying by copper consumers yesterday and buyers were ready to step in any time the price dipped. "But it is wishful thinking to expect a summer price lull this year," he added. Mr Arnold said he had no idea how high the copper price would go, but when it reached its peak it would fall back a few cents a pound. He doubted if it would go back below $2,000 a tonne.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+1,675	to 2,648,360
Aluminium alloy	-340	to 36,600
Copper	-18,625	to 406,075
Lead	+850	to 346,675
Nickel	-186	to 132,530
Zinc	+3,750	to 1,161,100
Tin	-60	to 27,845

Three-month aluminium closed $22 a tonne up on the LME at $1,374.50. Mr Arnold said the market was now confident that producers would stick to the international agreement to cut annual output by between 1.5m and 2m tonnes.

Meanwhile, coffee futures remained in strong favour on both sides of the Atlantic, with some traders beliaving New York had taken over the running from London.

The July arabica futures contract in New York was consolidating yesterday afternoon after a rise of more than 12 cents a pound on Monday. But the September contract spent some time stuck at its one-day upward limit of 6 cents a pound as it struggled to catch up with July's earlier rise.

"The fireworks seem to be in New York," said one London trader. "The sign of a true bull market is a strong backwardation [when contracts for nearby delivery are at a premium over forward positions]. The backwardation is starting to deepen in New York whereas it's starting to weaken in London."

The steam had certainly not gone out of the London market yesterday. The July robusta position hit a peak of $2,150 a tonne before easing slightly to close up $93 at $2,145. This puts it 79 per cent up on the year, having risen by 50 per cent in the past three weeks.

Oil prices yesterday bucked the upward trend in other commoditiae. The benchmark Brent Blend for July was quoted at $15.85 a barrel in late London trading, well down on its close on Monday of $16.13.

Traders attribnted the decline to profit-taking at the end of a three month rally, which has seen oil prices rise by about $4 a barrel from the five-year lows recorded in mid-February.

Mr Lindsay Horne, a trader at the London office of US investment bank Lehman Brothers, said other factors affecting prices included the end of a buying spree by US refiners in advance of the American aummer holiday driving season, and continuing strong output from the North Sea fields.

Boom brings out the head-hunters

Booming business in base metals has led to fierce competition for experienced traders, prompting rising salaries and bonuses, reports Reuter.

Banks and trading companies, fearful of losing top people, are offering a range of incentives to existing staff, while others are seeking to lure dealers through attractive signing-on terms.

An annual package of salary plus bonus totalling £130,000 to £140,000 is not uncommon, according to a trade house executive.

"The [metal trader] recruitment market is buoyant," said a leading job consultant.

All areas of metals trading are expanding as business from consumers and prodncers increases and investors buy in the hope that prices will contiune to rise as the world steps out of recession.

Banks, financial institutions and other players see metals as a growing sonrce of business. There has been a rush of derivative prodnct issues, such as warrants on baskets of metals, regarded as the commodities most likely to benefit from an economic revival.

A further boost to business has come from rising demand from mining company's for long-term packages to hedge their price risk.

As the metals business is small compared with bond and foreign exchange markets, turnover in dealers has become particularly active. "We have been busy since the start of the year," another recruitment consultant said.

The number of floor members on the London Metal Exchange is rising. Sucden UK, a subsidiary of French broker Sucres et Denrees, becomes the 18th member later this year.

At least one other company may follow suit, while the number of associate broker clearing members is also rising. US securities house Kidder, Peabody International, part of General Electric Company, was recently elected to this category.

EU pulp makers in 'home-made mess'

By Alison Maitland

European pulp and paper companies will escape an even worse recession than the last one only if they refrain from building up extra capacity too quickly, an industry leader warned yesterday.

Mr Robert van Oordt, chairman of KNP BT, the Dutch paper and packaging group, told a Financial Times conference on world pulp and paper that it would take tima to resolve the "home-made mess" of overcapacity.

All sectors apart from newsprint had operated well below 90 per cent capacity utilisation during the past few years and were expected to return to operating rates above 90 per cent only in 1995 or 1996, he said. "Current overcapacity will only disappear if the leaders of European paper companies act responsibly. If they do, the outlook is excellent. If not, the future will be even worse than what we experienced during the last few years."

Timber, pulp and paper producers worldwide are emerging from a severe recession that has forced many into radical restructuring. Optimism that the industry has turned the corner has been fuelled by a strong recovery in pulp and paper prices.

But Mr van Oordt said rising prices were creating "an artificial situation" in Europe. "Other economies – the US and Asia – are doing better than our own and are siphoning off the raw material and pushing prices up. Our economies in Europe are not yet strong enough for us to pass on our costs to our customers."

He said EU companies had to close the competitive gap with other players in the industry, notably in North America and Scandinavia. Further rationalisation of mills was needed.

In Finland, the average mill size had risen from 142,000 tonnes to 241,000 tonnes between 1980 and 1992. In the US, the figure had gone from 92,000 tonnes to 134,000 tonnes. But the average mill size in the EU had increased from 22,000 tonnes to just 42,000 tonnes.

On the bright side, demand for paper was expected to remain healthy, "a unique starting position in a European setting where most industries are troubled by low- or no-growth conditions," he said.

The continued demand for paper in the electronic age was underlined by Mr Alain Soulas, chief executive of Arjo Wiggins Appleton, the Anglo-French paper manufacturer. "The psychological value of the printed page is still high, as is shown by the rapid rise in demand for printers," he said.

Growth in the west European market would continue, he said, but European paper companies must look to opportunities in the Far East, Latin America and eastern Europe to become more competitive globally.

Finnish mill project gets green light

Christopher Brown-Humes on a £365m chlorine-free pulp project

After five years of planning and two years of difficult financing talks, a project to build the world's largest chlorine-free pulp mill was finally given the go-ahead last week. The FM3bn (£365m) facility, to be built at Rauma in western Finland, will be capable of producing 500,000 tonnes of softwood pulp a year and is scheduled for start-up in 1996.

Even six months ago a decision to proceed with the plan would have looked reckless. Softwood pulp prices had plunged to just $380 a tonne from a peak of $840 in 1989, and there was little sign of the long-awsited recovery in the pulp and paper sector. Since then pulp prices have risen to $560 a tonne and the broader paper industry cycle appears to have turned.

In spite of the improved climate, however, United Paper Mills, the biggest shareholder in the project with a stake of 45.6 per cent, only came on board at the last minute. It also appears that the financing problems were only resolved through a FM1.2bn state guarantee for a large proportion of the loans. A persistent difficulty has been risk concentration, with many of the leading Finnish banks already heavily exposed to the companies behind the project.

Most analysts, though, believe that the fundamentals favour construction of the mill. They note that it will come on stream at a time when pulp prices are expected to be at or near their next cyclical peak.

This explains the determination of Metsä–Rauma, the operating company, to stick to the 1996 start-up target. Excavation work began last autumn, well before the project was finally approved, and impetus has been maintained with the immediate placing of FM600m worth of contracts.

At least half of the mill's output will be consumed by UPM and Metsä–Serla, the second largest investor in the project with 27.8 per cent. UPM will supply its Rauma paper mill and Metsä–Serla its Kirkniemi magazine paper plant. Metsä–Botnia, which previously supplied much of this pulp, will offer more of the commodity on the open market.

Mnch of the new mill's remaining output is expected to go to western Europe, primarily for use as a reinforcing agent in the production of recycled paper. This is an attractive market, with forecasts suggesting that recycled paper demand will grow at 4.5 per cent a year over the next decade, compared with overall growth in pulp demand of only 1.6 per cent a year.

In tapping this outlet, Metsä–Rauma believes its environmentally-friendly totally chlorine-free (TCF) pulp will give it a considerable marketing advantage. It notes that its production costs for TCF will be no higher than for conventional pulp because it is installing the required equipment from scratch.

The mill's cost structure is also favoured by the 35 per cent fall in Finnish wood prices over the past three years. Although prices have started to rise again, mirroring the pulp industry's improved fortunes, the prospect of increased wood imports from neighbouring Russia in the next few years should ensure that Finnish wood suppliers moderate their price demands.

Developments in the broader market could also favour the mill. Analysts say several Canadian pulp mills may be forced to close on environmental and financial grounds. They also believe there will be sales opportunities in the Far East, where paper demand is growing rapidly and long-fibre softwood pulp is expected to be in short supply. Most of the pulp capacity coming on stream in countries like Indonesia is of the short-fibre hardwood variety.

Not everyone is convinced, however, that the pulp market recovery is fully established. Many commentators say short-term factors, such as restocking and disruptions to hard wood supplies from Russia, have driven the price up further than supply and demand factors warrant. They believe pulp prices could easily fall later this year.

But the mill's backers are undeterred. They point to the mill's economies of scale and the technical advantages it will enjoy from utilising the very latest equipment.

They also stress that their financial calculations are relatively conservative. The mill is expected to break-even after depreciation and interest with a pulp price of below $500 a tonne. At $550 a tonne the return on capital will be 10 per cent – much higher than the pulp industry has managed traditionally.

MARKET REPORT

Precious metals hold on to gains

Precious metals held most of their overnight gains yesterday, despite doubts about the authenticity of SILVER'S surprise rise in New York.

The London silver price caught up with a 20-cent jump to $5.55½ e troy ounce, while GOLD put on $2.80 at $383 an ounce and platinum edged up $1.85 to $400.

At the London Commodity Exchange COCOA futures failed to get going after a sluggish start and the July position ended the day at £947 a tonne, down another £5. Traders said tha continuing absence of industry offtake and producer activity was keeping dealings quiet. New York offered no direction, holding little changed following its weaker opening.

London Metal Exchange prices all moved higher with copper and aluminium (see story above). Notable gains were registered by TIN, which touched 14-month peaks, and NICKEL, which, although running into heavy sales on approaches towards Monday's 19-month highs, was underpinned by speculative buying.

Compiled from Reuter

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1346.5-8.5	1374-5
Previous	1324-5	1352-3
High/low		1377/1365
AM Official	1338-9	1364-4.5
Kerb close		1376-6
Open int.	249,023	
Total daily turnover	74,921	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1330-40	1345-50
Previous	1320-30	1330-40
High/low		1350
AM Official	1330-5	1340-6
Kerb close		1345-50
Open int.	3,458	
Total daily turnover	784	

■ LEAD ($ per tonne)

Close	494.5-5.5	512-2.5
Previous	486.5-7.5	504.5-5.0
High/low	492/490	516/506
AM Official	489-90	507-8
Kerb close		511-2
Open int.	36,255	
Total daily turnover	7,959	

■ NICKEL ($ per tonne)

Close	6445-55	6530-40
Previous	6270-80	6350-60
High/low	6420	6570/6440
AM Official	6419-20	6500-1
Kerb close		6520-5
Open int.	59,494	
Total daily turnover	13,782	

■ TIN ($ per tonne)

Close	5725-35	5790-800
Previous	5580-5	5650-5
High/low		5860/5740
AM Official	5730-35	5805-10
Kerb close		5760-70
Open int.	16,890	
Total daily turnover	8,109	

■ ZINC, special high grade ($ per tonne)

Close	982.5-3.5	1006-7
Previous	980-1	1003-4
High/low	988	1014/1000
AM Official	986.5-7.5	1010-11
Kerb close		1004-5
Open int.	103,165	
Total daily turnover	40,560	

■ COPPER, grade A ($ per tonne)

Close	2225-7	2220-21
Previous	2180-2	2177.5-8.0
High/low		2229/2182
AM Official	2216-7	2212-3
Kerb close		2224-5
Open int.	198,519	
Total daily turnover	106,345	

■ LME AM Official £/$ rate: 1.5035
LME Closing £/$ rate: 1.5085

Spot:1.5081 3 mths:1.5043 6 mths:1.5042 9 mths:1.5050

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
May	104.45	+1.80	104.70	103.80	2,081	232
Jun	104.35	+1.85	104.25	104.25	1,058	6
Jul	104.05	+2.05	104.30	103.15	38,233	238
Aug	103.25	+2.10	102.50	102.50	470	6
Sep	102.55	+2.25	102.70	101.80	8,111	24
Oct	101.75	+2.05	-	-	202	-
Total					61,530	632

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	382.80-383.00	
Opening	382.40-382.80	
Morning fix	382.55	
Afternoon fix	382.55	
Day's High	383.40-383.80	
Day's Low	382.10-382.50	
Previous close	380.00-380.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....4.02 6 months 4.59
2 months ....4.12 12 months 5.11
3 months 4.26

Silver Fix	p/troy oz.	US cts equiv.
Spot	336.67	553.00
3 months	370.85	559.30
6 months	375.49	566.30
1 year	386.76	583.30
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	386-389	258-260
Maple Leaf	393.30-395.75	
New Sovereign	89-92	59-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
May	381.4	-1.8	-	-	-	-
Jun	382.0	-1.7	384.2	381.1	69,899	24,741
Jul	383.5	-1.7	-	-	-	-
Aug	385.0	-1.7	387.3	384.4	26,506	5,829
Oct	388.3	-1.7	390.0	388.2	4,856	371
Dec	391.8	-1.7	394.0	391.4	14,955	770
Total					144,474	32,582

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jul	398.4	-8.1	405.0	398.5	16,604	2,774
Oct	402.2	-8.1	407.5	402.0	3,587	191
Jan	404.4	-0.1	408.0	404.5	1,069	17
Apr	406.4	-8.1	-	-	1,035	10
Total					22,295	2,992

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Jun	138.25	-0.10	138.75	135.50	2,344	230
Sep	136.45	-	137.00	136.00	2,066	234
Dec	136.45	-	137.00	136.45	628	1
Mar	135.85	-	-	-	6	-
Total					5,042	465

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

May	550.8	-6.6	555.0	552.0	350	44
Jun	551.8	-5.5	-	-	5	1
Jul	554.2	-5.5	560.5	552.5	82,387	20,680
Sep	558.3	-5.4	565.0	558.5	8,892	1,384
Dec	567.0	-5.3	573.0	565.0	11,524	271
Jan	568.1	-5.3	-	-	32	-
Total					118,485	22,580

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	17.71	-0.35	18.07	17.68	69,637	35,378
Jul	17.27	-0.25	17.52	17.25	108,855	39,727
Aug	17.08	-0.21	17.29	17.03	42,593	11,066
Sep	16.95	-0.18	17.04	16.93	21,132	8,567
Oct	16.92	-0.13	17.00	16.82	19,370	1,465
Nov	16.90	-0.11	16.93	16.90	12,767	544
Total					436,195	100,502

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	113.90	+0.80	114.00	114.00	168	13
Jul	113.90	+1.25	114.00	113.00	697	123
	[illegible]					

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	911	-7	911	908	98	15
Jul	947	-5	952	942	19,385	1,387
	[illegible]					

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	66.675	0.500	67.700	66.675	28,221	6,036
Aug	66.725	0.350	67.200	66.350	18,623	3,758
	[illegible]					

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lb)

[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

[illegible]

■ COPPER (Grade A) LME

[illegible]				
2100	147	143	24	52
2150	113	114	39	72
2200	64	89	59	96

■ COFFEE LCE	Jul	Sep	Jul	Sep
1800	347	348	4	40
1850	300	308	7	41
1900	255	272	12	55
■ COCOA LCE	**Jul**	**Sep**	**Jul**	**Sep**
900	56	67	6	16
925	39	71	17	27
950	26	56	29	37
■ BRENT CRUDE IPE	**Jul**	**Aug**	**Jul**	**Aug**
1500	-	-	11	27
1550	61	-	25	44
1600	33	47	44	66

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jul) +or-

Dubai	$14.41-4.47w	
Brent Blend (dated)	$15.74-5.78	
Brent Blend (Jul)	$15.78-5.80	
W.T.I. (1pm est)	$17.20-7.22w	

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$178-180	-3
Gas Oil	$149-150	-2
Heavy Fuel Oil	$82-85	-1.5
Naphtha	$154-156	-1.5
Jet Fuel	$162-163	-2.0

Petroleum Argus Estimates

■ OTHER

Gold (per troy oz)♣	$383.00	+2.80
Silver (per troy oz)♣	553.00c	+17.50
Platinum (per troy oz.)	$400.00	+1.85
Palladium (per troy oz.)	$135.25	+0.15
Copper (US prod.)	107.00c	
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	14.21r	
Tin (New York)	262.50c	
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	126.99p	-0.04*
Sheep (live weight)†♠	148.44p	-7.82*
Pigs (live weight)	80.84p	+3.49*
Lon. day sugar (raw)	$286.00	-2.50
Lon. day sugar (wte)	$345.50	+1.00
Tate & Lyle export	£302.00	-2.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	$140.00	+1.50
Wheat (US Dark North)	£180.0x	
Rubber (Jun)♥	72.00p	+0.25
Rubber (Jul)♥	72.25p	+0.25
Rubber(KL RSS No1 Jun)	257.00m	+0.50
Coconut Oil (Phil)§	$615.0z	+20.0
Palm Oil (Malay.)§	$497.5y	+20.0
Copra (Phil)§	$393.0	+22.0
Soyabeans (US)	£183.0y	
Cotton Outlook A Index	85.55c	-0.20
Wooltops (64s Super)	425p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. [illegible]

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated [illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

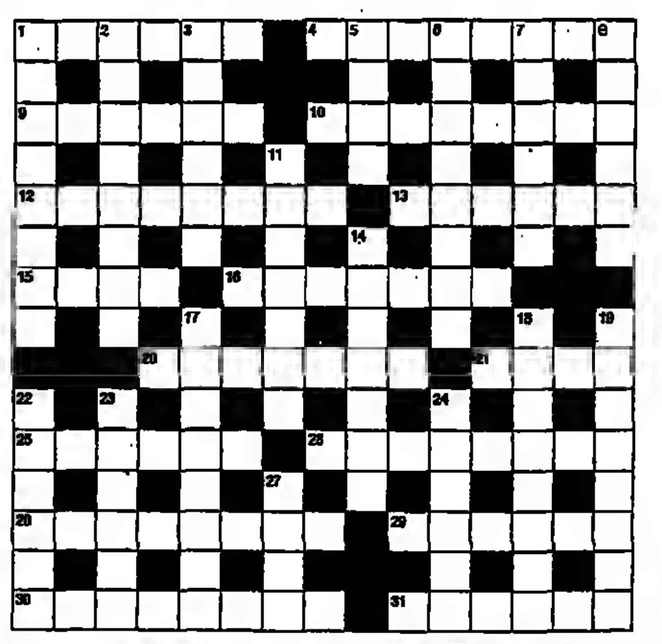
[illegible]

■ CRB Futures (Base: 1967=100)

[illegible]

CROSSWORD

No.8,456 Set by ALAUN



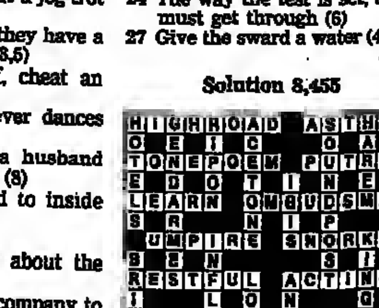
ACROSS

1 Guides one through the tracts of land (6)
4 The quick way to get a little reduction (5,3)
9 And in the right order by sheer chance (6)
10 True account given to the parson (8)
12 Years go by before you get the trips (8)
13 Coming to provide publicity before the opening (6)
15 See how long it takes to empty the bar! (4)
16 In which one hears about love breaking hearts (7)
20 Mean the nest is built by those who have young (7)
21 Step one is to get to power (4)
25 Come back again at a jog-trot (6)
26 So called because they have a distinctive bark? (3,5)
28 Having control of, cheat an underling (8)
29 Water the sun never dances on (6)
30 Manages to get a husband who's not a sailor (8)
31 Impassive, elipped to inside (6)

DOWN

1 Copy the sections about the banks (8)
2 Wishing for some company to lend the money spoken of (8)
3 Not good enough? That's a shame! (3,3)
5 Horse about with the computer? (4)
6 Attacks the plump child (6,2)
7 One after another ! (6)
8 Understanding, do your best to put it away inside (6)
11 Told the former had been put in the shade (7)
14 What the smoker had and lost outside the hotel (7)
17 "Justifies out-and-out hostility," one declaims bombastically (8)
18 It's goodbye to food and water, too (8)
19 Worked out it's because one is in colour (6)
22 Describing the train, British Rail, on which the lad and I travelled (6)
23 Am covered by a gun, which is a bit of a bloomer! (6)
24 The way the test is set, again must get through (6)
27 Give the sward a water (4)

Solution 8,455



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Company statements encourage a firm market

By Terry Byland,
UK Stock Market Editor

London stock markets closed firmly yesterday, taking their lead from the US Treasuries, but without oews from the meeting of the Federal Reserve's Open Market Committee (FOMC). UK traders boped that before London opens today the Fed will have delivered the keenly desired ½ percentage point increase in its key interest rates. "Anything less than a half-point rise will not please the market," was the consensus view at last night'e close of trading.

After a slow start, UK sbares moved ahead and the FT-SE 100 Index closed 7.9 better at 3,123.5. Althougb trading volume was higher than on the previous day, traders stressed that it was e cautious session. Stocks were easier for much of the day but the Footsie once again bounced convincingly when it slipped towards the 3,100 area; the day's low was 3,106.8. A survey of the distributive trades by the Confederation of British Industry was favourably received.

Although the awareness that the FOMC meeting would not even start until late in the London trading day inhibited activity in UK stocks, there were plenty of company trading statements to keep dealers on the alert.

The FT-SE Mid 250 Index, which has shown itself both independent of and somewhat weaker than the FT-SE 100 in recent sessions, finished just 0.3 up at 3,707.2. Seaq volume of 638.5m shares compared with 671.7m on Monday when retail business was worth £1.43bn.

Account Dealing Dates		
*First Dealings: Apr 25	May 16	Jun 6
Option Declarations: May 12	Jun 2	Jun 16
Last Dealings: May 13	Jun 3	Jun 17
Account Day: May 23	Jun 13	Jun 27

*New time dealings may take place from two business days earlier.

Favourable trading comments from a handful of blue chip companies aided sentiment. Allied-Lyons and Hanson said the year bad started satisfactorily and BOC, seen as an industrial market leader, traded heavily after a very positive interim statement.

The stock market remained hopeful that determined action by the Fed would at last settle nerves in the bond market and, by stabilising bond yields, enable the equity market to respond to improvement in corporate dividends and earnings.

While the markets will remain on tenterbooks until there is news from the FOMC meeting, London today faces important data on the domestic economy. UK analysts expect these to confirm that domestic inflation has remained subdued, and thus ward off fears that UK base rates will be forced higher later this year.

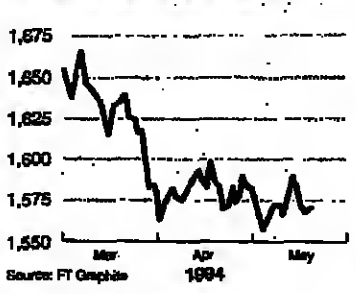
Building and construction issues gained ground after the latest official statistics showed that new orders were 10 per cent up from the first quarter of last year. But there were further signs that investors are turning away from the engineering and vehicles sectors, believed by some analysts to have outrun the economic recovery.

Progress was somewhat patchy elsewhere in the market, with the food and brewery stocks showing a mixed picture as investors waited for the March retail sales statistics.

Pharmaceuticals stocks continued to move nervously as attention focused on SmithKline Beecham and investors poodered the likely effect of the expiry this week of US patents on Tagamet, SmithKline's high selling anti-ulcer drug.

London outperformed other leading European stock markets yesterday and UK traders sounded relatively confident that the Footsie index can at last climb away from the 3,100 level, if only the bond markets can establish themselves in s new trading range. Strategists were encouraged by the increase in trading volume as the market rallied yesterday afternoon.

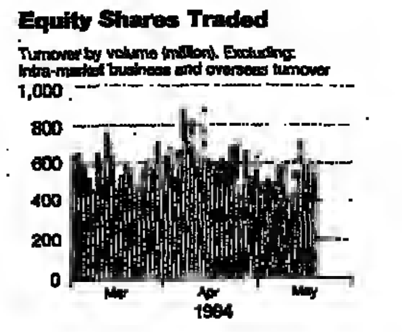
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3123.5	+7.9	FT Ordinary index	2468.8	+6.2
FT-SE Mid 250	3707.2	+0.3	FT-SE-A Non Fins p/e	20.32	(20.26)
FT-SE-A 350	1580.2	+3.0	FT-SE 100 Fut Jun	3124.0	+18.0
FT-SE-A All-Share	1571.48	+2.74	10 yr Gilt yield	8.06	(8.12)
FT-SE-A All-Share yield	3.70	(3.70)	Long gilt/equity yld ratio:	2.25	(2.25)

Best performing sectors

1	Extractive Inds	+2.0
2	Tobacco	+2.0
3	Building Materials	+1.6
4	Water	+1.5
5	Chemicals	+1.1

Worst performing sectors

1	Engineering, Vehicles	-1.7
2	Gas Distribution	-1.1
3	Transport	-1.0
4	Textiles & Apparel	-0.6
5	Other Financials	-0.5

Hanson payment pleases

Turnover in Anglo-US conglomerate **Hanson** jumped to 24m shares, making it the day's most actively traded FT-SE 100 constituent, after it surprised the market with an increase in the dividend. The stock gained 6 at 269p.

The hefty volume included a single block of 6.9m traded at 259p, thought to have been part of a tax-related deal.

News on the dividend accompanied interim figures which revealed headline profits of £683m – against £507m a year earlier – a figure which disappointed several analysts. The dividend was raised from 2.85p to 3p.

Mr Geoff Allum at NatWest Securities was among those disappointed by the profits figure but conceded: "As a yield stock the increase in the dividend overshadows the less than expected profits."

BOC strong

Better than expected interim figures from **BOC**, the industrial gases and healthcare group, saw the shares deliver the best performance of any FT-SE 100 stock.

By the close the share price had risen 29 to 715p, the highest level since April 8. Turnover of 4.9m shares was the second-highest this year.

Analysts said they were impressed with the performance of all BOC'e operating areas, especially natural gases, which improved sharply, and bealthcare, where tbey said problems seem to have boottomed out. "It looks as if tbe worst is over for BOC," said one of the market'e more bearisb analysts. Most current year forecasts were being lifted to around the £340m mark.

News that the London Financial Futures and Options Exchange had decided against joining Reuters' Globex trading system hit the shares, which closed the day 7 off at 485p. Analysts said the development was disappointing but not life-threatening for the product, which has been steadily increasing its trading volumes.

However, one analyst said the danger of a major exchange such as the Liffe not joining could have a negative effect on other exchanges' decisions - making Friday'e likely announcement by the Deutsche Termin Boerse all the more important.

First-quarter profits from **Sedgwick**, the biggest of the UK insurance brokers, came in well below most market estimates and put the shares under heavy pressure during the morning.

But a clarification of the figures et the post-results meeting with analysts helped to restore a measure of confidence in the ehares, which ended a net 6 down at 197p, having fallen to 194½p immediately following tbe numbers. Turnover of 7.6m in Sedgwick was the second most heaviest this year.

Some analysts had pencilled in first-quarter expectations of £50m and more, against the actual result of £43.6m. The company pointed out, bowever, that it had warned of a change in the way profits were spread out over the year. Profits forecasts for the year were being fine-tuned after the meeting but mostly were clustered around the £98m to £100m mark.

The reporting season in the drinks sector continued in similar vein, with **Allied-Lyons** reporting full-year figures in line with market forecasts. As expected, the brewing side performed poorly, prompting louder murmurs from analysts for the company to consider divesting its interest in the Carlsberg-Tetley joint venture. There was also some disappointment over tbe lack of news on the disposal of the group's food business. The shares dipped on the results announcement bnt picked up on a positive analysts' meeting. They closed 5 up at 595p.

A busy pharmacenticals sector saw **Fisons** dip 4 to 140p following the annual meeting. **SmithKline Beecham** came under pressure early in the session following news of a challenge to its UK patent on its biggest selling drug, the antibiotic Augmentin, from Norton Healthcare. SmithKline shares fell to 394p at one point but later rallied to close a net 5 off at 400p.

Speculation that steel and wire group **ASW Holdings** may soon be on the receiving end of a bid from Britisb Steel did the rounds in the market. The former gained 8 to 213p, while the latter eased 3 to 142½p, after trade of 12m.

RTZ raced up 20 to 887p and looked set to attack the shares' all-time high of 897p set in February, following the latest upsurge in copper prices and talk of a strong buy recommnedation from BZW.

The English power generators moved in opposite directions with **National Power**, the biggest of the UK's generators, sliding 6 to 437p on good turnover of 3.5m shares, ahead of preliminary results expected this morning and following suggestions that a big line of stock had been offered to the market in mid-morning. **PowerGen**, on the other hand, was also in demand and closed 9 higher at 484p. Both stocks were strong performere on Monday.

Kleinwort Benson was said to have provoked the big switching from **Scottish Power** into **Scottish Hydro**. The latter was finally 3 off at 339p and the former a further 9 lower at 359o, after 356p.

The £22m rights issue from **Higgs & Hill**, the housebuilding and construction group, saw the shares retreat 10 to 122p.

Shares in publishing group **Emap**, which have underperformed the market by 14 per cent over the last three months, jumped 18 to 385p, after Smith New Court turned buyers of the stock, changing from a sell recommendation.

Mr David Forster at the broker said, things were improving at Car Week magazine after disspointing initial sales, and that the gronp should benefit from the better than expected upturn in UK advertising. Around 47 per cent of Emap's revenue is derived from advertising.

Redrow, the bousebuilder, made an unauspicious market debut, the ehares opening around 118p and slipping back to 115p at one point before rallying and ending the session at 128p, a significant discount to the 135p offer price.

The day's other debut stock, **Capitol Group**, tbe security operator, fared much better, opening and closing at 133p, compared with the 125p flotation price.

Woolworth and Comet owner **Kingfisher** was buoyed up by positive notes from UBS and Robert Fleming, as well as talk of a bullish meeting with a private client broker. The shares gained 7 to 564p. An upbeat agm statement from **Goldsmiths** belped the shares rise 5 to 115p.

Financial worries continued to overhang channel tunnel operator **Eurotunnel** and the shares relinquished another 15 to 405p.

MARKET REPORTERS:
Steve Thompson,
Christopher Price,
Joel Kibazo.

■ Other statistics, Page 19

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (89).
BANKS (1) BREWERIES (1) Young A, BLDG MATLS & MCHTS (6) Chieftain, Hewetson, Roshel, Russell (A), St. Gobain, DISTRIBUTORS (3) Abacus, Brammer, Parsons, ELECTRNC & ELECT EQUP (3) ENGINEERING (1) ASW, ENG. VEHICLES (1) Bostrom, EXTRACTIVE INDS (1) FOOD MANUF (1) Pascoe's, INVESTMENT TRUSTS (9) MEDIA (2) CIA, City of London PR, OIL EXPLORATION & PROD (6) OIL, INTEGRATED (1) Petrofina SA, OTHER SERVS & BUSNS (1) Shelton (M), PRTNG, PAPER & PACKG (2) Kleerfold Inc., Mosaic Invs., PROPERTY (1) Bucknall, RETAILERS, FOOD (1) Park Food, RETAILERS, GENERAL (1) Goldsmiths, SUPPORT SERVS (2) MMT, Sanderson, AMERICANS (1) Chase Manhattan.
NEW LOWS (118).
GILTS (1) BANKS (1) BREWERIES (1) Greene King, BUILDING & CNSTRN (6) Avonside, Bellwinch, Bryant, Persimmon, Tay Homes, BLDG MATLS & MCHTS (6) ELECTRNC & ELECT EQUP (8) Johnson Electric, Kenwood Appliances, Telemetrix, ENGINEERING (8) David Brown, GBE, Hunting 81/4pc Prf., Locker (T) A, TI, Wheesoe, ENG. VEHICLES (2) Lucas Inds., Sytone, EXTRACTIVE INDS (4) FOOD MANUF (2) Pokphand (CP), Unilever NV, GAS DISTRIBUTION (1) Calor, HEALTH CARE (6) Intercare, Scholl, Takare, INSURANCE (4) INVESTMENT TRUSTS (21) INVESTMENT COMPANIES (6) LIFE ASSURANCE (1) Lloyds Abbey Life, MERCHANT BANKS (6) OIL EXPLORATION & PROD (1) Pittencrieff, OTHER FINANCIAL (6) OTHER SERVS & BUSNS (1) General Motors Units, PHARMACEUTICALS (5) Elan, Huntingdon, Ransom (Wm), PRTNG, PAPER & PACKG (2) AG, Plysu, Waddington (J), PROPERTY (7) RETAILERS, GENERAL (8) SPIRITS, WINES & CIDERS (1) Bulmer (HP), SUPPORT SERVS (2) Macro 4, Sindrd Platform, TEXTILES & APPAREL (1) Sirdar, TRANSPORT (8) AMERICANS (2) CANADIANS (2).

EQUITY FUTURES AND OPTIONS TRADING

A lacklustre session in stock index futures brought poor volume as dealers continued to await the outcome of last night's US Federal Reserve Open Market Committee meeting, *writes Joel Kibazo.*

The June futures contract on the FT-SE 100 finished at 3,124, up 18 from its previous close and at parity with the underlying cash market. Turnover, at 8,345 contracts, was one of the lowest in recent sessions.

Earlier, June started trading at 3,110 and briefly slipped to 3,103 before recovering to trade around the 3,120 level for the next few hours. Dealers said the little activity there was consisted of sideways trading with light buying seen occasionally.

The firm opening on Wall Street led to an advance in June during the afternoon and a peak of 3,130 was recorded in the last half-an-hour of trading before a bout of profit-taking just before the finish.

Traded options remained buoyant and saw turnover of 30,174 contracts, of which 9,381 were dealt in the FT-SE 100 option and 5,035 in the Euro FT-SE option.

British Gas was the most actively traded stock option with a total of 2,745 contracts. Most of the trading was carried out in the June 280 calls. It was followed by Hanson, also busy in the cash market, with a total of 2,568 contracts.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3110.0	3124.8	+18.0	3130.0	3103.0	8345	52228
Sep	5120.8	5140.0	+18.0	3140.8	3120.8	22	3114
Dec	-	3150.5	+17.5	-	-	0	201

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Jun	3712.0	3714.5	-0.5	3715.0	5711.0	280	4055

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Jun	-	3722.5	-	-	-	-	891

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3124) £10 per full index point

	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P
May	117½	1	128½	1½	79½	3	36	11	10½	37½	1½	83½	½	132½	½	182½
Jun	186½	13	144½	21	108	34	78	53	48	76½	28	106½	16	145	6	189½
Jul	204	25	166	36	129½	50½	99½	70	72	93½	52½	124	36	158½	42½	197
Aug	227½	41½	190½	54½	154½	69½	125½	90	97	112½	75½	142	55½	173	42½	210½
Dec†			242½	100½			183	137½			131½	185½			88½	244½

Calls 6,240 Puts 3,117

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P
May	199½	½	150½	1	101½	2½	54½	6	19½	21½	4	54½	½	101½	½	151
Jun	206	6	163½	15	124	25½	90	41	61	62	38	89½	22	123	12	162½
Jul	223½	19			147	42			86½	80½			44½	137½		
Sep	255	43½			183½	70½			123½	109			77½	161		
Dec†	292½	74			224½	103			167½	142½			119½	191½		

Calls 2,636 Puts 2,198 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3700	3750	3800	3850	3900	3950	4000	4050
May	29 14	6 43	1 86					

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	12,000	58	+2
Abbey National†	2,300	404½	+2½
Albert Fisher	301	57	+1
Allied-Lyons†	5,400	595	+6
Anglian Water	435	487	+11
Argos	318	380	+2
Argyll Group†	2,200	257	
Arjo Wiggins†	1,800	231	-1
Assoc. Brit. Foods†	261	581	
Assoc. Brit. Ports	681	259	+2
BAA†	813	978	-3
BAT Inds.†	1,900	469	+9½
BET	4,500	129	+½
BICC	533	438	+5
BOC†	5,000	715	+29
BP†	4,200	402	+½
BPB Inds.	599	312	+3
BT†	3,200	379½	+½
BT (P/Paid)	6,700	257½	
BTR†	5,800	388	+½
Bank of Scotland†	4,400	181	-½
Barclays†	2,100	537	
Bass†	2,000	543	-7
Blue Circle†	4,000	298	+8
Booker	151	404	+2
Boots†	902	549	
Bowater†	485	436	+1
Brit. Aerospace†	1,800	484	-9
British Airways†	2,500	385	-9
British Gas†	21,000	281½	-6
British Land	190	388	+1
British Steel†	12,000	142½	-3
Bunzl	1,300	189	+1
Burmah Castrol†	600	863	+2
Burton	7,600	54	-1½
Cable & Wire†	1,000	458	+2
Cadbury Schweppes†	4,700	494	+6
Calor Group	125	308	-8
Caradon†	3,000	324	+7
Carlton Comms.†	1,100	938	+13
Coats Viyella†	6,700	229	-2
Comm. Union†	385	585	
Cookson	1,200	277	
Courtaulds†	381	544	-2
Dalgety	82	464	+4
De La Rue†	142	856	-1
Dixons	654	200	
Eastern Elect.	352	600	+8
East Midland Elect.	558	564	+2
Eng China Clays	625	456	+2
Enterprise Oil†	258	427	-1
Eurotunnel Units	385	405	-15
FKI	379	184	-1
Fisons	854	140	-4
Foreign & Col. I.T.	909	140	+½
Forte†	2,800	233	-2
Gen. Accident†	299	571	+3
General Elect.†	1,500	309½	+2
Glaxo†	3,100	560	+½
Glynwed	1,300	370	-1
Granada†	3,200	542	+5
Grand Met.†	4,400	459	+6
GUS†	1,300	588	-2
GRE†	1,000	177	
GKN	912	585	-14
Guinness†	1,600	492	+2
HSBC (75p shs)†	1,500	721	-5
Hammerson	23	381	-3
Hanson†	24,000	258½	+5½
Harrisons Crosfield	670	164	+1
Hays	83	371	
Hillsdown	562	171	-1
IMI	1,200	350	-3
ICI†	2,300	832	+9

FT - SE Actuaries Share Indices — The UK Series

	May 17	Day's chge%	May 16	May 13	May 12	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3123.5	+0.3	3115.6	3118.2	3137.8	2847.3	3.89	6.39	18.74	40.78	1162.30
FT-SE Mid 250	3707.2	.....	3706.8	3721.8	5742.4	3151.2	5.32	5.56	21.85	40.68	1381.84
FT-SE Mid 250 ex Inv Trusts	3718.0	.....	3718.8	3733.6	3755.5	3180.5	3.45	6.00	20.43	41.40	1361.65
FT-SE-A 350	1580.2	+0.2	1577.2	1580.0	1589.3	1417.8	3.76	6.20	19.38	18.87	1203.48
FT-SE SmallCap	1917.07	-0.1	1919.29	1923.04	1927.81	1603.57	2.90	4.18	28.32	18.16	1471.27
FT-SE SmallCap ex Inv Trusts	1893.87	-0.1	1896.30	1900.24	1905.29	1815.92	3.05	4.64	25.85	19.55	1456.58

LONDON EQUITIES

LIFFE EQUITY OPTIONS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	54	7	11
Other Fixed Interest	2	0	13
Mineral Extraction	70	57	74
General Manufacturers	134	144	387
Consumer Goods	49	48	94
Services	75	102	337
Utilities	27	9	10
Financials	54	127	187
Investment Trusts	50	93	328
Others	38	53	36
Totals	551	640	1487

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	May 3	Last Declarations	Aug 11
Last Dealings	May 20	For settlement	Aug 22

Calls: Alliance Res, Com-Tek, Cupid, Mid & Scot, Mosaic Inv, Owen & Robinson, Tullow Oil. Puts: Eurotunnel, NHL, Tullow Oil, Wakebourne. Puts & Calls: Aegis, Lloyds Chem, NHL, Signet, Tesco.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	1.34	10	8	Aberust Scot Wrts	18		-	-	-	-
-	F.P.	1,218.6	£14⅞	£14⅞	Ashanti Gold	£14½		-	-	-	-
-	F.P.	29.7	101	99	Beta Global Em C	99		-	-	-	-

RIGHTS OFFERS

FINANCIAL TIMES EQUITY INDICES

FT GOLD MINES INDEX

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£21½	-⅜	£25⅜	£21⅛	6,306	5.2	ф
ANZ A$		230¼	-9½	278¼	214¼	3,082	6.9	18.1
Abbey National	N□	494½	+2½	523	397	5,307	4.3	13.9
Allied Irish I£	♣N□	249	-1	314	241	1,949	8.1	9.6
Anglo Irish I£	♣N□	93	—	*78	80	182.4	0.3	9.4
Argyll Y		738¼	-8¼	789¼	638	17,145	0.7	–
Banco Bil Viz Pts		£19⅜	-⅜	£19¼	£14⅛	3,847	6.2	7.1
Banco Sant Pts		£31⅝	—	£34⅝	£29⅜	3,513	4.3	ф
Bk Ireland I£	♣□	254xd	-4	*319	248	1,127	4.9	ф
Bank Scotland	♣q□	181xd	-½	247	180	2,225	3.3	15.7
9¼pc Pf		118¼xd	+½	141½	115¾	112.9	8.7	–
9¾pc Pf		124¼xd	+½	148½	122	124.8	9.8	–
Barclays	♣N□	537	—	640	487	8,731	3.5	22.3
Dai Ichi Kan Y		£12⅛	-⅛	£12⅞	£10¾	36,763	0.4	68.7
Deutsche DM		£312⅜	-1⅜	£344¼	£297¼	14,869	1.9	–
Espirito Santo		£19⅝	+⅜	£25½	£18¼	207.9	4.1	4.7
First Nat Fin	N□	76	—	*90	60	125.9	2.5	–
6.3pc Cv Pf		84	—	*90	77	5.05	9.4	–
7pc Cv Pf		148½	—	171	135	70.5	6.9	–
Fuji Bank Y		1464	-1	1549¼	1182½	42,367	0.4	–
HSBC HK	□	730	-14½	1133	687	12,818	4.8	ф
HSBC (75p Shs)	□	721xd	-5	1113	668	6,089	4.1	ф
Lloyds	N□	573	+½	690	532	7,408	4.8	12.1
Mitsubishi Y		£17⅜	+⅜	£18⅜	£15⅝	50,328	0.5	–
Mits Tst 0 Bk Y		938¼	-11	1049	667½	12,896	0.5	15.9
Mitsui Tst & Bk Y		761½	+14	811¼	514	9,904	0.7	29.8
Nat Aust A$		562	+1	620¼	537¼	7,782	4.1	14.2
NatWest	N□	454	+6	622	434	7,884	5.1	10.4
Ottomane FFr		£27	-½	£33	£27	135.8	5.4	ф
Ryl Bk Scotland	♣†N□	431xd	+2	528	392½	3,495	3.5	19.5
Sakura Y		£9⅞	-⅛	£9⅞	£8⅞	29,979	0.6	58.5
Sanwa Y		£14⅜	+⅜	£16⅝	£11⅝	42,490	0.4	–
Standard Chartd	N□	281xd	-4	*359¼	224	2,309	2.9	11.5
7 3/8pc Prf		93¾	+½	109½	90¼	93.6	9.8	–
Sumitomo Y		£14⅞	-⅛	£16¼	£11½	44,807	0.4	30.7
Sumitomo Tst Y		984	+11¼	1089½	625	12,238	0.6	77.1
TSB	N□	218	+2	281	208	3,335	4.2	14.9
Tokai Y		£9¾	—	£9⅜	£6⅞	17,010	0.0	58.0
Toyo Tst & Bk Y		746¼	-7½	784½	566¼	5,691	0.7	63.8

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£26½	—	£26½	£13½	1,082	2.8	19.4
Barlow		£6¾	−⅛	[illegible]	[illegible]	1,039	6.2	9.6
Gold Flds Prop R		83	—	105	78	9.41	19.8	0.2
MK Props		90	—	95	87	3.82	9.6	37.8
SASOL	♥	334	−1	382	280	1,882	4.7	–
SA Brews		£13[illegible]	[illegible]	£15[illegible]	£10	7,475	2.0	22.9
Tiger Oats	†	700	−44	838	538	1,081	2.3	14.7
Tongaat-Hulett	†	625	+5	635	434	487.9	2.4	17.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ɸ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
x Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2839. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availabilty.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point: a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd (1200)F

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Amicable - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Guarantee Bond	109.1	114.9	—	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES AND MONEY

MARKETS REPORT

Caution before US move

Foreign exchanges spent a nervous session in London as markets went through the day positioning ahead of the US Federal Reserve's eventual decision to tighten monetary policy, *writes Philip Gawith.*

In the run-up to the announcement of an increase in the 3 per cent discount rate to 3.5 per cent, and comments by a Fed spokesman that the Fed wanted to see a 50 basis point rise in the Fed funds rate, markets had eyes for little else heyond the meeting of the policy-making Federal Open Markets Committee. The market had been widely discounting a 25-50 basis point rise in the funds rate, and the possibility of a discount rate rise.

The Fed's failure to lift rates at the normal funding time (15h30 GMT) left observers thinking that the tightening was likely to have been a more complicated proposition than many had assumed.

The dollar, which edged higher after the Fed announcement, had closed in London at DM1.6683, down from DM1.674 oo Monday. Against the yen, it finished at Y104.380 from Y104.580.

Elsewhere sterling weakened against the D-Mark to finish in London at DM2.5095 from DM2.5174. The Greek drachma remained fairly steady as the central bank maintained a policy of high interest rates to defend the currency.

■ Mr Adrian Cunningham, senior currency economist at UBS, said the Fed's decision to add reserves to the system through overnight system repos had clearly been a holding operation.

The market's expectations were clear from the federal fuods rate which stood at around 4¼ per cent at 15h30 GMT, the typical time for Fed action, against a then-official level of 3¾ per cent.

■ In Europe the D-Mark was generally slightly weaker, closing in London at FFr3.426 against the French franc from FFr3.429. The Spanish peseta regained some ground to close at Pta 82.63 against the D-Mark from Pta 82.84.

In Greece, high overnight rates underpinned the drachma. Overnight money was at 200 per cent, with the drachma steady at Dr148.30/35 to the D-Mark.

The Lira finished at L956.6 from L961.5 against the D-Mark, helped by the belief that prime minister Mr Silvio Berlusconi will win the confidence vote in parliament today.

■ In Germany, the repo rate is expected to fall by about 5-8 basis points today after the Bundesbaok annonnced another variable rate repo. Call money was steady yesterday at 5.35/50 per cent, compared to the existing repo rate of 5.35 per cent.

After the Bundesbank cut its official rates by 50 basis points last week, the market speculated that the repo rate might fall by as much as 10-15 basis points. That position has since been abandoned and most analysts are predicting a more modest move.

Ms Phyllis Reed, European fixed income strategist at BZW, said the Bundesbank had succeeded in arresting the pessimism ahout the extent to which German interest rates were still likely to fall. It was thus "perfectly reasonahle to return to a dull, few points per week, rate of cuts."

The Bundesbank, she said, could not be expected to maintain the aggressive pace of easing seen between the last two sets of official rate cuts.

Ms Reed predicts a cut of, at most, five basis points today, although she maintains the view that 3-month money rates are likely to fall to about 3¾ per cent by the end of the year.

■ Sterling traded in a very narrow range against both the D-Mark and the dollar. It closed in London at $1.5043 from $1.5039 on Monday. Against the D-Mark it finished slightly firmer at DM2.5095 from DM2.5174.

Mr George Magnus, international economist at S.G.Warburg in London, commented: "The events of the past week have taken some of the political risk premium, that had been accumulating in the currency, away for a while." This had allowed the "growth story" to show through more prominently.

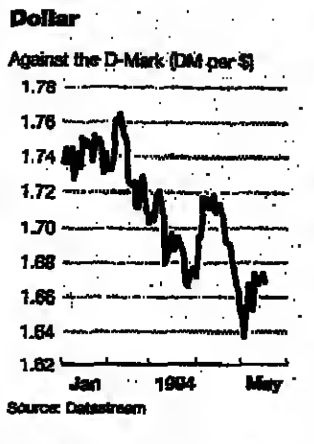
Sterling's progress, however, is likely to be subject to no further setbacks for the dollar. If the dollar falls back, sterling is unlikely to be secure above DM2.50.

■ In the UK money markets, the Bank of England injected £571m liquidity into the system to clear a £550m shortage. Overnight money traded in the 4 to 4¾ per cent range.

Futures markets generally lost ground, with the prospect of higher US rates generally bad for short-term contracts. Some of the longer month short sterling contracts performed better. Amid modest volumes, the December contract closed nine basis points lower at 93.96 from 94.05.

Mr Richard Phillips, analyst at brokers GNI, said a large portion of the volumes came from a single sale by a European bank. He said trade had been nervous, with traders reluctant to take positions, but he predicted that the market was preparing for a decisive move.

The December euromark contract closed at 95.20 from 95.25.



Source: Datastream

■ Pound in New York

May 17	—Latest—	– Prev. close –
£ spot	1.5065	1.5025
1 mth	1.5075	1.5034
3 mth	1.5064	1.5043
1 yr	1.5063	1.5034

■ OTHER CURRENCIES

May 17	£	$
Hungary	155.468 - 155.671	103.370 - 103.470
Iran	2621.00 - 2627.00	1748.00 - 1750.00
Kuwait	0.4480 - 0.4494	0.2979 - 0.2987
Poland	33855.0 - 33941.5	22510.0 - 22580.0
Russia	2818.05 - 2823.57	1872.00 - 1877.00
U.A.E.	5.5230 - 5.5260	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

May 17		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.5531	-0.051	484 - 588	17.7117	17.6398	17.6483	0.3	17.6437	0.2	-	-	113.6
Belgium	(BFr)	51.6408	-0.1816	022 - 796	51.7960	51.5800	51.6358	0.1	51.6458	0.0	51.4159	0.4	115.0
Denmark	(DKr)	9.8255	-0.0259	223 - 288	9.8484	9.8210	9.8332	-0.9	9.8413	-0.6	9.8587	-0.3	114.9
Finland	(FM)	8.1861	-0.0152	772 - 950	8.2110	8.1725	-	-	-	-	-	-	81.5
France	(FFr)	8.6001	-0.0314	964 - 038	8.6321	8.5900	8.6058	-0.8	8.6067	-0.4	8.5751	0.3	107.5
Germany	(DM)	2.5085	-0.0078	067 - 103	2.5232	2.5060	2.5102	-0.3	2.5099	-0.1	2.4887	0.8	123.2
Greece	(Dr)	371.550	-1.48	886 - 213	373.139	370.535	-	-	-	-	-	-	-
Ireland	(I£)	1.0221	-0.0049	213 - 228	1.0265	1.0200	1.0225	-0.5	1.0235	-0.3	1.0257	-0.3	104.4
Italy	(L)	2401.01	-19.05	948 - 254	2423.37	2397.75	2406.71	-2.8	2416.41	-2.6	2447.06	-1.9	78.5
Luxembourg	(LFr)	51.6408	-0.1816	022 - 796	51.7960	51.5800	51.6358	0.1	51.6459	0.0	51.4159	0.4	115.0
Netherlands	(Fl)	2.8155	-0.0106	143 - 187	2.8254	2.8110	2.8151	0.2	2.8148	0.1	2.7919	0.8	116.7
Norway	(NKr)	10.8668	-0.0397	655 - 721	10.9044	10.8600	10.8632	0.6	10.8757	-0.3	10.8689	0.0	95.2
Portugal	(Es)	258.656	-0.909	538 - 774	258.475	258.520	259.631	-4.5	261.578	-4.5	-	-	-
Spain	(Pta)	207.436	-1.111	326 - 546	208.634	207.310	207.946	-3.0	208.776	-2.6	211.556	-2.0	84.4
Sweden	(SKr)	11.6570	-0.0518	494 - 645	11.7060	11.6470	11.6785	-2.2	11.709	-1.8	11.798	-1.2	77.0
Switzerland	(SFr)	2.1345	-0.0106	334 - 356	2.1473	2.1330	2.1327	1.0	2.1281	1.2	2.0985	1.5	117.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.2
Ecu	-	1.3008	-0.0048	003 - 012	1.3054	1.2995	1.3016	-0.7	1.3024	-0.5	1.2988	0.1	-
SDR†	-	0.837987	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5033	+0.0027	029 - 036	1.5037	1.5001	-	-	-	-	-	-	-
Brazil	(Cr)	2366.51	+40.23	610 - 692	2387.00	2343.00	-	-	-	-	-	-	-
Canada	(C$)	2.0737	+0.005	730 - 744	2.0758	2.0674	2.0751	-0.8	2.0785	-1.0	2.0963	-1.2	87.1
Mexico	(New Peso)	5.0122	+0.0118	038 - 205	5.0225	5.0030	-	-	-	-	-	-	-
USA	($)	1.5043	+0.0004	040 - 045	1.5062	1.5016	1.5033	0.8	1.5024	0.5	1.5028	0.1	65.6
Pacific/Middle East/Africa													
Australia	(A$)	2.0656	-0.0068	645 - 666	2.0756	2.0635	2.0649	0.4	2.0633	0.4	2.0623	0.2	-
Hong Kong	(HK$)	11.6226	+0.0031	199 - 253	11.6300	11.6028	11.6145	0.8	11.6107	0.4	11.6376	-0.1	-
India	(Rs)	47.1665	+0.0107	730 - 999	47.2140	47.1060	-	-	-	-	-	-	-
Japan	(Y)	157.014	-0.259	942 - 085	157.980	156.800	156.599	3.2	155.619	3.0	151.969	3.2	185.3
Malaysia	(M$)	3.9352	+0.0079	330 - 373	3.9463	3.9250	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5681	+0.0029	666 - 696	2.5705	2.5629	2.5674	0.3	2.5709	-0.4	2.5775	-0.4	-
Philippines	(Peso)	40.8028	+0.0108	080 - 976	40.9960	40.5000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6414	+0.0019	402 - 425	5.6445	5.6314	-	-	-	-	-	-	-
Singapore	(S$)	2.3309	-0.0011	297 - 320	2.3323	2.3281	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.4985	-0.0105	964 - 005	5.5294	5.4860	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.3408	+0.002	245 - 570	7.4432	7.3170	-	-	-	-	-	-	-
South Korea	(Won)	1212.88	+0.55	252 - 323	1213.74	1210.81	-	-	-	-	-	-	-
Taiwan	(T$)	40.3391	+0.0784	824 - 958	40.4200	40.3000	-	-	-	-	-	-	-
Thailand	(Bt)	37.9523	+0.0178	309 - 736	37.9910	37.9110	-	-	-	-	-	-	-

†SDR rate for May 16. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 17		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.7355	-0.037	330 - 380	11.7725	11.7300	11.7435	-0.8	11.744	-0.3	11.6438	0.8	103.1
Belgium	(BFr)	34.3300	-0.13	100 - 500	34.4550	34.3100	34.355	-0.9	34.37	-0.5	34.225	0.3	104.4
Denmark	(DKr)	6.5318	-0.019	308 - 328	6.5517	6.5300	6.5408	-1.7	6.5493	-1.1	6.5408	-0.1	103.7
Finland	(FM)	5.4420	-0.0115	370 - 470	5.4621	5.4358	5.4437	-0.4	5.4452	-0.2	5.447	-0.1	78.4
France	(FFr)	5.7172	-0.0224	157 - 187	5.7425	5.7156	5.7239	-1.4	5.7291	-0.8	5.705	0.2	104.0
Germany	(D)	1.6683	-0.0057	680 - 685	1.6747	1.6670	1.6698	-1.1	1.67	-0.4	1.6581	0.7	104.7
Greece	(Dr)	247.000	-1.05	600 - 400	248.050	246.800	250.75	-18.2	258.125	-18.0	287	-16.2	69.7
Ireland	(I£)	1.4719	+0.0075	710 - 727	1.4734	1.4635	1.4703	1.3	1.4684	1.0	1.4659	0.4	-
Italy	(L)	1596.15	-13.09	540 - 690	1612.00	1595.35	1600.9	-3.6	1608.05	-3.0	1627.15	-1.9	78.7
Luxembourg	(LFr)	34.3300	-0.13	100 - 500	34.4550	34.3100	34.355	-0.9	34.37	-0.5	34.225	0.3	104.4
Netherlands	(Fl)	1.8717	-0.0077	712 - 722	1.8805	1.8710	1.8728	-0.7	1.8732	-0.3	1.8582	0.7	103.8
Norway	(NKr)	7.2254	-0.0283	244 - 264	7.2543	7.2240	7.2294	-0.7	7.2289	-0.2	7.2054	0.3	95.1
Portugal	(Es)	171.950	-0.65	900 - 000	172.500	171.800	173.035	-7.6	174.575	-6.1	178.75	-4.0	92.8
Spain	(Pta)	137.900	-0.775	850 - 950	138.770	137.800	138.325	-3.7	138.935	-3.0	140.675	-2.0	79.5
Sweden	(SKr)	7.7494	-0.0384	456 - 531	7.7917	7.7450	7.7874	-2.8	7.7904	-2.1	7.8544	-1.4	82.2
Switzerland	(SFr)	1.4190	-0.0075	185 - 195	1.4280	1.4180	1.4188	0.2	1.4167	0.6	1.3962	1.6	103.7
UK	(£)	1.5043	+0.0004	040 - 045	1.5062	1.5015	1.5033	0.8	1.5024	0.5	1.5028	0.1	89.2
Ecu	-	1.1565	+0.0044	562 - 567	1.1580	1.1518	1.155	1.5	1.1537	1.0	1.1571	0.0	-
SDR†	-	1.40742	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9994	+0.0015	993 - 994	0.9994	0.9987	-	-	-	-	-	-	-
Brazil	(Cr)	1586.51	+26.33	650 - 652	1586.55	1586.48	-	-	-	-	-	-	-
Canada	(C$)	1.3788	+0.003	783 - 788	1.3810	1.3757	1.3805	-1.7	1.3836	-1.5	1.3964	-1.3	83.8
Mexico	(New Peso)	3.3320	+0.007	270 - 370	3.3370	3.3260	3.333	-0.4	3.3348	-0.5	3.3422	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	100.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3732	-0.0049	727 - 738	1.3799	1.3702	1.3745	-1.1	1.3791	-1.7	1.3898	-1.2	88.7
Hong Kong	(HK$)	7.7265	-	260 - 270	7.7270	7.7259	7.7295	-0.5	7.7356	-0.5	7.7602	-0.4	-
India	(Rs)	31.3688	-0.0012	650 - 725	31.3725	31.3650	31.4338	-2.5	31.5688	-2.6	-	-	-
Japan	(Y)	104.380	-0.2	350 - 410	104.930	104.250	104.175	2.4	103.715	2.5	101.14	3.1	146.1
Malaysia	(M$)	2.6160	+0.0045	150 - 170	2.6280	2.6116	2.609	3.2	2.5935	3.4	2.658	-1.6	-
New Zealand	(NZ$)	1.7072	+0.0014	065 - 079	1.7085	1.7053	1.7084	-0.9	1.7129	-1.3	1.7348	-1.6	-
Philippines	(Peso)	27.1250	-	000 - 500	27.2500	27.0000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	+0.0003	501 - 504	3.7505	3.7300	3.751	-0.2	3.7533	-0.3	3.7648	-0.4	-
Singapore	(S$)	1.5495	-0.0012	490 - 500	1.5510	1.5490	1.5489	0.5	1.5484	0.3	1.547	0.2	-
S Africa (Com.)	(R)	3.6553	-0.006	545 - 560	3.6740	3.6510	3.6718	-5.4	3.6978	-4.7	3.7908	-3.7	-
S Africa (Fin.)	(R)	4.8800	-	700 - 900	4.9400	4.8650	4.914	-8.4	4.974	-7.7	-	-	-
South Korea	(Won)	806.300	+0.15	200 - 400	806.400	806.200	809.3	-4.5	812.8	-3.2	831.3	-3.1	-
Taiwan	(T$)	26.8500	+0.045	500 - 500	26.8500	26.7900	26.9155	-2.9	27.016	-2.5	-	-	-
Thailand	(Bt)	25.2300	+0.005	200 - 400	25.2500	25.2200	25.31	-3.8	25.436	-3.3	25.855	-2.8	-

†SDR rate for May 16. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 16. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 17		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	10	19.03	16.65	4.861	1.979	4649	5.453	21.05	501.0	401.6	22.68	4.134	1.936	4.018	2.912	304.0	2.519
Denmark	(DKr)	52.55	10	8.752	2.554	1.040	2444	2.866	11.06	263.3	211.1	11.87	2.173	1.018	2.111	1.531	159.8	1.324
France	(FFr)	60.05	11.43	10	2.919	1.188	2792	3.274	12.64	300.8	241.2	13.56	2.483	1.163	2.412	1.749	182.6	1.513
Germany	(DM)	20.57	3.915	3.426	1	0.407	956.8	1.122	4.331	103.1	82.63	4.645	0.851	0.398	0.826	0.599	62.55	0.518
Ireland	(I£)	50.53	9.614	8.415	2.456	1	2349	2.755	10.64	253.1	202.9	11.41	2.089	0.978	2.029	1.472	153.6	1.273
Italy	(L)	2.151	0.409	0.358	0.105	0.043	100.	0.117	0.453	10.77	8.638	0.488	0.089	0.042	0.086	0.063	6.539	0.054
Netherlands	(Fl)	18.34	3.489	3.054	0.891	0.363	852.8	1	3.860	91.87	73.65	4.141	0.758	0.355	0.737	0.534	55.75	0.462
Norway	(NKr)	47.51	9.040	7.912	2.309	0.940	2209	2.591	10	238.0	190.8	10.73	1.964	0.920	1.908	1.384	144.4	1.197
Portugal	(Es)	19.96	3.798	3.324	0.970	0.395	928.1	1.088	4.202	100.	80.17	4.507	0.825	0.387	0.802	0.581	60.66	0.503
Spain	(Pta)	24.90	4.738	4.147	1.210	0.493	1158	1.358	5.241	124.7	100.	5.622	1.029	0.482	1.000	0.725	75.70	0.627
Sweden	(SKr)	44.28	8.427	7.376	2.153	0.877	2059	2.415	9.322	221.8	177.8	10	1.831	0.858	1.778	1.290	134.6	1.116
Switzerland	(SFr)	24.19	4.602	4.028	1.176	0.479	1125	1.319	5.091	121.2	97.14	5.461	1	0.468	0.971	0.704	73.54	0.609
UK	(£)	51.64	9.826	8.600	2.510	1.022	2401	2.816	10.87	258.7	207.4	11.66	2.135	1	2.074	1.504	157.0	1.301
Canada	(C$)	24.90	4.738	4.147	1.210	0.493	1158	1.358	5.241	124.7	100.0	5.622	1.029	0.482	1	0.725	75.70	0.627
US	($)	34.34	6.533	5.718	1.669	0.680	1596	1.872	7.227	172.0	137.9	7.753	1.420	0.665	1.379	1	104.4	0.865
Japan	(Y)	328.9	62.59	54.78	15.99	6.510	15293	17.94	69.24	1648	1321	74.27	13.60	6.369	13.21	9.580	1000.	8.287
Ecu		39.69	7.553	6.610	1.929	0.786	1846	2.164	8.355	198.8	159.4	8.962	1.641	0.769	1.594	1.156	120.7	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner, Swedish Kronor and Belgian Franc per 10; Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5971	0.5980	+0.0009	0.5985	0.5966	18,353	114,739
Sep	0.5978	0.5981	+0.0008	0.5984	0.5978	509	6,284
Dec	-	0.5988	-	-	-	7	218

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9555	0.9586	+0.0031	0.9604	0.9549	16,399	57,663
Sep	0.9628	0.9660	+0.0033	0.9672	0.9627	440	5,286
Dec	0.9710	0.9740	+0.0034	0.9740	0.9710	59	962

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7014	0.7020	+0.0011	0.7032	0.7007	5,072	36,372
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5022	1.5024	+0.0006	1.5050	1.5018	8,916	43,906
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

May 17	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.786878	-0.000242	-2.88	6.57	18
Netherlands	2.19672	2.16887	-0.00009	-1.26	5.06	-
Belgium	40.2123	39.7887	+0.0035	-1.10	4.87	8
Germany	1.94964	1.93190	-0.00008	-0.91	4.67	-
France	6.53883	6.62389	-0.00115	1.30	2.38	-11
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

[illegible]

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

[illegible]

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

[illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

[illegible]

BASE LENDING RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 17 / Sch)

BELGIUM/LUXEMBOURG (May 17 / Frs.)

DENMARK (May 17 / Kr)

FINLAND (May 17 / Mks)

FRANCE (May 17 / Frs.)

GERMANY (May 17 / Dm.)

ITALY (May 17 / Lire)

NETHERLANDS (May 17 / Fls.)

NORWAY (May 16 / Kroner)

SPAIN (May 17 / Pts.)

SWEDEN (May 17 / Kronor)

SWITZERLAND (May 17 / Frs.)

PACIFIC

JAPAN (May 17 / Yen)

HONG KONG (May 17 / H.K.$)

MALAYSIA (May 17 / MYR)

SINGAPORE (May 17 / S$)

AUSTRALIA (May 17 / Aust$)

NORTH AMERICA

CANADA

TORONTO (May 17 / Can $)

4 pm close

MONTREAL (May 17 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (May 17 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ¥ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ANNUAL REPORTS SERVICE

You can obtain the current annual reports of companies annotated with ♣. Ring 081 770 0770 or fax 081 770 3822, quoting FT Japan. If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822, quoting FT Japan. The Reports will be sent on the next working day. If faxing please remember to state FT Japan and also your post code.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, May 17, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi	7.1m	1000	+5	Toshiba	3.8m	798	+3
Sumitomo Metal	5.4m	291	+1	Nippon Paper	3.4m	682	+9
Kawasaki Steel	5.4m	385	+2	NKK	2.9m	270	
Dowa Mining	4.1m	585	+12	Sumitomo Bakelit	2.7m	877	-2
Ge-Jo-En Kanko	4.0m	184	+27	Wakachiku	2.7m	689	+9

INDICES

Thailand

Bangkok SET (30/4/75)	1302.85	1290.84	1258.17	1753.73	4/1	1196.59	4/4

Turkey

Istanbul Cmp.(Jan 1986)	16032.6	15489.6	15053.1	20883.80	13/1	12980.70	24/3

WORLD

MS Capital Int (1/1/70)§	610.9*	610.7	610.5	641.09	1/2	591.80	4/4

CROSS-BORDER

Eurotrack 100(26/10/90)	1476.21	1471.75	1468.06	1540.19	31/1	1380.80	2/3
Euro Top-100 (26/6/90)	1275.91	1271.58	1268.81	1311.81	2/2	1202.48	2/3
JCapalDrgns (31/12/88)	(u)	315.68	313.05	386.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	(u)	147.36	147.87	182.72	14/2	141.85	21/4

Japan

Nikkei 225 (16/5/49)	20133.53	20188.44	20270.75	20677.77	16/3	17369.74	4/1
Nikkei 300 (1/10/82)	299.13	299.57	300.75	304.25	1/3	268.22	4/1
Topix (4/1/68)	1636.43	1639.01	1643.20	1663.27	16/3	1446.87	4/1
2nd Section (4/1/68)	2323.00	2330.08	2334.91	2339.08	16/5	1873.33	4/1

Malaysia

KLSE Comp.(4/4/86)	991.98	997.84	1004.55	1314.46	5/1	928.33	4/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett.Price	Change	High	Low	Est. vol.	Open Int.
May	2183.0	2196.0	+10.0	2198.0	2179.0	14,718	25,032
Jun	2163.0	2179.0	+10.0	2180.0	2163.0	1,292	33,038
Jul	2160.5	2178.5	+10.0	2160.5	2160.5	1	360

Open interest figures for previous day.

** Sat May 14: Taiwan Weighted Price 6082.02; Korea Comp Ex 942.39. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ‡ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours Index: May 17 - 2268.11 -4.86

US INDICES

Dow Jones	May 16	May 10	May 12	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3671.50	3659.68	3652.84	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	96.78	96.43	96.58	105.81 (21/1)	96.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1546.69	1557.72	1573.39	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	178.55	179.28	177.76	222.86 (3/1)	177.76 (12/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3694.21 (3690.32) Low 3628.52 (3626.37) (Theoretical♦)
Day's high 3676.10 (3654.74) Low 3647.30 (3627.37) (Actual♦)

Standard and Poors	May 16	May 10	May 12	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	444.49	444.14	443.75	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials¥	519.72	519.53	519.81	580.58 (2/2)	510.05 (21/4)	580.89 (2/2/94)	3.62 (21/6/32)
Financial	43.76	43.61	43.33	48.58 (31/1)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	245.78	245.76	245.55	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	431.68	432.57	433.35	487.89 (2/2)	427.80 (20/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	711.91	716.91	719.61	803.93 (18/3)	705.51 (20/4)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	May 18	May 8	Apr 29	Year ago
Dow Jones Ind. Div. Yield	2.76	2.77	2.78	2.97
	May 11	May 4	Apr 27	Year ago
S & P Ind. Div. yield	2.54	2.48	2.48	2.52
S & P Ind. P/E ratio	23.52	23.99	23.94	26.25

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	444.15	444.80	+0.35	444.80	444.05	45,385	196,193
Sep	446.90	446.90	+0.20	446.90	446.80	765	16,465
Dec	-	449.90	-	449.90	-	505	7,718

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Wal-Mart	5,597,100	22⅜	-1⅛
O'Sullivan	4,928,300	10	-6⅛
Gt Lakes	3,823,000	49½	-8⅛
Unisys	2,912,200	10⅛	-⅛
Amer T & T	2,768,400	54	+1⅛
EMC	2,386,100	14⅞	-¼
Bethlehem St	2,325,300	17⅜	-1⅛
Philip Morris	2,050,200	51⅝	-½
Citicorp	1,934,800	37	+⅛
SW Airlines	1,886,500	24½	-⅞

■ TRADING ACTIVITY

● Volume (million)

	May 16	May 15	May 12
New York SE	234.868	252.048	272.770
Amex	12.890	13.886	18.194
NASDAQ	233.559	318.726	270.706
NYSE			
Issues Traded	2,809	2,783	2,825
Rises	983	1,029	1,185
Falls	1,186	1,077	980
Unchanged	660	677	660
New Highs	20	19	27
New Lows	126	116	142

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

4 pm close May 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg Prev. Close
17 3/8	14 1/8	AAR	0.48	3.3	491	16	14 3/4	14 3/4	14 3/4	-1/8
16 7/8	13 3/8	A L Labs A	0.18	1.3	31	732	13 5/8	d13 3/8	13 1/2	-3/8
65 3/4	57 7/8	AMP x	1.68	2.8	22	1410	65	64 3/8	64 3/4	-1/8
72 1/8	52 1/8	AMR			27	3348	54 1/2	53 5/8	53 3/4	+1/2
5	3 3/8	ARX			14	30	4 1/4	4	4 1/4	+1/8
56 1/8	38 1/8	ASA x	2.00	4.7	28	574	43 3/4	42 3/8	42 1/8	-3/4
30 5/8	25 3/8	AbbotL	0.76	2.5	17	14088	29 7/8	29 1/8	29 7/8	+1/4
13 3/4	11 3/8	Abitibi Pr	0.50	4.1	8	1719	12 3/8	12 1/4	12 1/4	
13 3/4	11 1/8	Acpticoin			22	18	12 3/8	12 1/4	12 1/4	-1/8
31	24 1/2	ACE Ltd	0.44	1.6	4	341	28	27 1/2	28	+1/4
12 1/2	10 1/8	ACM Gvt In	1.08	10.1		900	10 7/8	10 5/8	10 7/8	+1/8
10 1/8	7 7/8	ACM GvOpp	0.80	9.4		85	8 1/2	8 3/8	8 1/2	+1/8
10 5/8	8 5/8	ACM Gvt Sp	0.96	11.3		277	8 1/2	d8 3/8	8 1/2	
12	9 1/4	ACM Gvt Se	1.09	11.7		818	9 3/8	d9 1/8	9 3/8	+1/8
11 1/8	8 1/8	ACM Mac	1.08	11.0		142	9 1/8	9	9 1/8	+1/8
9 1/4	8	ACM Mandgd	0.72	8.5		51	8 1/2	8 1/4	8 1/2	+1/4
15 1/2	8 1/4	AcmeClv	0.44	4.6	18	160	11 1/8	10 3/4	11	+3/8
8 1/2	7	Acme Elect			5	28	7 3/8	7 1/8	7 1/8	-1/4
28 1/2	23	Acuson	0.60	2.1	14	12	28 1/4	28 1/8	28 1/8	-1/8
9 3/8	5 3/4	Actava	0.36	4.4	2	196	8 1/2	8 1/4	8 1/4	-1/8
15 1/8	11 1/4	Acxson			160	148	14 3/4	14	14 1/8	-1/8
18 7/8	16 1/2	Adams Expr x	0.46	2.8	0	197	16 7/8	16 3/4	16 7/8	+1/8
64	45 1/2	Ad Micro	3.00	5.0		33	51 5/8	51 1/2	51 5/8	+1/4
31 3/4	16 3/4	AdvMic	3.00	12.7	10	7287	23 7/8	23 3/8	23 5/8	
6 7/8	5	Advest Grp	0.16	3.2	7	60	5 1/4	d5	5	-1/8
20	16 3/8	Advo Inc	0.10	0.61	16	216	16 3/4	16 1/2	16 1/2	-1/8
57 1/4	49 3/8	Aegon ADR x	2.95	5.4	11	61	54 1/8	53	54 1/8	+1 7/8
65 3/4	49 3/4	AetnaL	2.76	5.1	9	2758	54 5/8	53 3/4	54 5/8	+7/8
32 5/8	25 1/4	Aflac x	0.46	1.4	13	1644	d32 5/8	32	32 1/4	-1/4
20 1/4	16 3/8	Ahmanson x	0.80	4.8	12	668	16 1/2	16 1/8	16 5/8	+1/8
4	1 3/8	Aileen Inc			1	14	2 1/2	2 1/2	2 1/2	
49 7/8	36 7/8	AirPrC	0.92	2.2	23	4010	42	41	42	+2 1/8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close May 17

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev Close
Continued from previous page										
27	19¼	Safeway			22	1114	22½	22¼	22½	-⅛
6⅝	4⅞	SafewayW98				15	5⅛	5⅛	5⅛	
57⅞	50¼	StJoePaper	0.20	0.4	287	118	54⅝	53	54⅝	+⅛
30¼	26½	StJoeLAP	1.00	0.7	13	52	27	26⅞	27	+½
[illegible]										

4 pm close May 17

NASDAQ NATIONAL MARKET

[illegible]

AMEX COMPOSITE PRICES

4 pm close May 17

[illegible]

AMERICA

Dow surges on rise in discount rate

Wall Street

US share prices were mixed yesterday morning as investors awaited a decision by the Federal Reserve on monetary policy, *writes Frank McGurty in New York*.

When the Fed eventually announced a rise in the discount rate from 3 per cent to 3.5 per cent, shares immediately surged and by 3pm the Dow Jones Industrial Average was up 37.45 at 3,708.95, having been some five points lower a couple of hours early.

The more broadly based Standard & Poor's 500 rose with the Dow and, having been marginally down at 1pm, was up 4.28 at 448.77 two hours later.

The Fed also indicated a 50-basis-point rise in fed funds rate.

Mr James Volk of Jensen Securities in Portland, Oregon, said of the Fed's moves: "This is what the market was looking for."

Ahead of the Fed's move, the overall tone was generally positive, except on the Nasdaq. The Dow blue-chip index held modest gains throughout the morning, even though higher rates could lead to a flagging economy and slower growth in corporate earnings during the rest of the year.

Investors evidently viewed the uncertainty surrounding the financial markets this year as an even greater threat to equity values.

Many believe a fourth tightening of monetary policy – especially if it were more aggressive than the previous three – would spell the end of the current series of rate increases, allowing stocks to resume a long, steady climb which stalled early in the year.

Yesterday's economic news went largely unnoticed. The Commerce Department reported that housing starts last month had fallen 2.5 per cent from March levels, suggesting the economy was growing a restrained pace.

The data added support to the view that the central bank would lift the bellwether Federal Funds rate by 25 basis points to 4.25 per cent, as it has in its previous three adjustments.

Some market observers were hoping for an 50-point increase – a hope later fulfilled – because a bold strike by the Fed would likely be its last for some time.

In its open market repurchase activities just before midday, the central bank injected reserves into the banking system to hold the Fed Funds rate steady at 3.75 per cent.

Amid the Fed watching, most stocks were treading water, but Alcoa added $1¼ to $69⅞ and International Paper $1 to $64⅞.

The retailing sector was active as several leading chains reported first-quarter results. JC Penney shed $1⅞ to $50¼ after disappointing the market with net income of 84 cents a share, against 78 cents a year ago.

By contrast, Dayton Hudson jumped $2½ to $81½ on a 37 per cent improvement in earnings.

Technology issues were generally weaker. Hewlett Packard dropped $3¾ to $75¼, in spite of reporting a 25 per cent increase in orders. Micron Technology was marked down $2¾ to $28¾ and Silicon Graphic lost $1¼ to $21¼.

The retreat on the Nasdaq was led by Lotus Development. The computer software concern plunged $4⅛ to $51¼ amid speculation, denied by the company, that its inventory levels had risen.

Canada

Toronto stocks continued to climb at midday, buoyed by strong gold and base metal shares. Strong groups were led by precious metals and consumer products, which offset declines in transportation and communications.

The TSE 300 composite index rose 10.40 to 4,218.70 in volume of 29.01m shares valued at C$273.00m.

Advancing issues outpaced declines by 264 to 253, with 289 stocks unchanged.

The gold and silver index climbed 100.63 to 9,662.01.

Franco-Nevada led gold stocks, up C$1¼ to C$73¾. Kinross Gold was the most active gold issue, up C$¼ to C$7⅞ on 1.4m shares. The consumer products group gained 50.85 to 6,501.01. Heavily weighted Seagram improved C$⅝ to C$39¾ on 97,000 shares traded.

Canadian base metals stocks continued to post gains, the index advancing 40.28 to 3,659.89. Inco was up C$¼ to C$35, while Alcan Aluminium moved forward C$⅝ to C$30⅝.

Noranda was steady at C$26½ on volume of 391,000 shares.

Brazil

São Paulo traded 3.1 per cent higher at midday as investors focused on US monetary policy and, domestically, an expected congressional vote on a key presidential decree.

The Bovespa index rose 497 to 16,123 at noon.

Approval of the temporary presidential decree, which created Brazil's single price index on March 1, is regarded as a key element for the continuation of the government's anti-inflation policy.

Telebras preferred rose 4.1 per cent to Cr47.40 while Electrobras preferred were 1.3 per cent higher at Cr230.

Mexico

Stocks opened cautiously higher as investors waited to see if the US Federal Reserve would raise interest rates.

The IPC index of 37 leading shares edged ahead 6.88 to 2,246.72 in early trade.

After about an hour of trading, turnovar was 11.2m shares. Advances topped declines by 15 to 7.

The biggest rises were in Cemex ACP shares, up 0.96 per cent, followed by Ttolmex B2 shares, gaining 0.92 per cent, and bottler Argos A shares, climbing 0.78 per cent.

EUROPE

Lufthansa shows further weakness in Germany

The markets were generally lacklustre awaiting the outcome of yesterday's FOMC meeting.

FRANKFURT moved into retreat as Monday's record levels failed to inspire a follow on of momentum. The Dax index eased back 11.40 to 2,259.71 during the official session. Turnover was DM7.4bn.

Sentiment was npset by news that Schneider debt was higher than anticipated, with estimates of between DM3.5bn to DM4bn.

This report affected the banks who are exposed to the property group with Deutsche Bank, for example, slipping DM10 to DM781.50.

Lufthansa continued to weaken on a further round of selling following disappointment over its results on Monday, the shares down a further DM11.30 to DM190.20, bringing accumulated losses since the start of the week to 8 per cent.

In contrast, Volkswagen rose DM3.20 to DM528.70 on news that it was extending working hours at some plants. Nikko Europe issued a buy recommendation earlier in the week, noting that the restructuring programmes should begin to bear fruit in the near term. Furthermore, said Nikko, "Seat should report a considerable reduction in last year's loss of DM1.8bn, with a return to profit in 1995 the target".

PARIS took a long look at Eurotunnel which held a shareholders meeting yesterday to approve its rights issue plans. The group lost FFr1.30 to FFr35.10 but off a session low of FFr34.70 as the CAC-40 index rose 7.47 to 2,195.17.

Turnover was a moderate FFr3.7bn.

Oil stocks were active as Merrill Lynch added Elf Aquitaine and OMV to its stock selection list and deleted Total and Repsol. Of the French groups Elf was FFr2.70 stronger at FFr429.70 while Total shed FFr4.90 to FFr342.10.

Lyonnaise des Eaux-Dumez, down FFr12 at FFr598, denied that it was planning to raise fresh capital, while Club Med slipped FFr1.90 to FFr446.10 as it forecast a better first half result.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

May 17 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1469.57	1470.51	1472.78	1473.10	1473.97	1475.87	1475.07	1476.21
FT-SE Eurotrack 200	1483.96	1484.33	1485.64	1486.02	1488.52	1488.36	1488.92	1488.64

	May 16	May 13	May 12	May 11	May 10
FT-SE Eurotrack 100	1471.75	1469.03	1460.98	1456.12	1465.39
FT-SE Eurotrack 200	1485.61	1480.06	1479.49	1473.45	1471.35

Base 1000 (26/10/90): Highday 100 - 1476.67; 200 - 1488.41 Lowday: 100 - 1469.15 200 - 1482.23

MILAN began the new account in resilient mood, the Comit index rising 11.89 or 1.5 per cent to 801.62, as worries subsided about the outcome of today's parliamentary confidence vote.

Blue chips led the advance. Generali rose L1,567 or 3.3 per cent to L48,470, Fiat advanced L149 to L7,188 and Olivetti was L128 or 4.5 per cent higher at L3,003.

Ciga, the hotels gronp advanced L76 or 6.8 per cent to L1,188 in heavy volume of 36m shares amid speculation about stock building as its rights issue sold out.

Ferruzzi put on L149 or 7.1 per cent to L2,233 as the company launched its L1,340bn rights issue. Cir rose L134 or 4.7 per cent to L2,994 as its L1,060bn rights issue began, although technical problems blocked business in the rights throughout the session.

ZURICH continued on the upward track as domestic buying, and an absence of foreign selling, took the SMI index 18.1 higher to 2,727.1.

Roche certificates added SFr155 to SFr6,705 as presentations to analysts yesterday and on Monday were well received and details of the Syntex takeover appeared to be positive. The certificates have picked up 9 per cent since their low on May 9, following 1993 figures and the Syntex acquisition. However, analysts noted that yesterday's demand came from Swiss banks, buying for their own account, and that sentiment remained fragile.

Nestlé, another recent weak performer, rose SFr20 to SFr1,135, on the perception that recent falls had been overdone. Brown Boveri rose SFr13 to SFr1,275 ahead of today's first quarter figures, with some analysts forecasting a rise of up to 75 per cent in profit.

STOCKHOLM maintained a strong run with Astra featuring ahead of first quarter results that came out after the close of business. The Affärsvärlden general index added 7.70 to 1,552.50.

Turnover was SKr2.6bn.

Astra reported a 15 per cent rise in first quarter pretax profits –the B shares ended the day up SKr1 at SKr161.

Volvo, which releases its first quarter figures today, picked up SKr13 in the B shares to SKr758.

AMSTERDAM struggled to find some incentive to move and, with the exception of a Fl 2.30 loss in KLM to Fl 53.20, due in partly to profit-taking following good gains last week, the AEX index finished the session just 0.81 ahead at 413.81.

MADRID overcame some early profit-taking with late demand taking the general index up 0.71 to finish at the day's high of 334.91 in heavy turnover of Pta36.59bn.

Banks, however, remained under pressure with Banesto Pta25 easier at Pta1,120. Argentaria lost Pta100 to Pta6,000 and Santander was marked Pta80 lower at Pta6,350.

Agroman, the construction company, was the day's leader, rising Pta75 to Pta825.

ISTANBUL rose 3.55 per cent on a technical rebound following a reduction in interest rates. The composite index put on 549.02 to 16,092.69. On Monday the index lost 1 per cent.

ATHENS ended slightly lower in light trading as investors remained worried about the prospect of devaluation. The general share index lost 7.95 at 944.94. Turnover was Dkr2.7bn.

Written and edited by Michael Morgan and John Pitt

ASIA PACIFIC

Hesitant Tokyo mildly easier as Hong Kong falls 2.3%

Tokyo

Investors remained inactive ahead of the US Federal Reserve Board's Open Market Committee meeting, and the Nikkei 225 average declined on index linked selling by arbitrageurs, *writes Emiko Terazono in Tokyo*.

The index was finally 54.91 easier at 20,133.53 after a day's low of 20,067.41 and high of 20,174.93. A fall in futures prices on the overnight Chicago market prompted a bout of arbitrage selling earlier in the session. Small-lot buying by overseas investors later eroded some of the losses.

Volume remained low, totalling 251m shares against 285m. The Topix index of all first section stocks dipped 2.58 to 1,636.43 and the Nikkei 300 lost 0.54 at 299.13. Declines led rises by 614 to 369, with 188 issues unchanged. In London the ISE/Nikkei 50 index was 1.19 firmer at 1,335.88.

Market participants said many investors were still wary of any surprises from the spate of company earnings announcements and were reluctant to commit funds in spite of the yen's easing against the dollar.

Meanwhile, technical indicators were also worrying some dealers. "The three short term moving averages nearly converging, the lack of volatility and the very low volumes seem to be precursors of a sharp move up or down," said Mr Yntaka Nakai, analyst at Daiwa Securities.

High-technology stocks were higher on buying by foreign investors. Hitachi, the day's most active issue, rose Y5 to Y1,000 and Toshiba put on Y3 at Y798. Large-capital steels were also firmer, with Kawasaki Steel up Y2 to Y385.

Some banks were lower on arbitrage selling. Dai-Ichi Kangyo Bank slipped Y10 to Y1,950. Profit-taking depressed real estate and pharmaceuticals shares, previously bought as laggards. Mitsubishi Estate receded Y20 to Y1,220 and Takeda Chemical Y30 to Y1,230.

The rise in gold and copper prices buoyed mining shares. Dowa Mining advanced Y12 to Y585 and Sumitomo Metal Mining added Y13 at Y925.

The low volume encouraged individual investors' trading in speculative stocks. Ga-jo-en Kanko forged ahead Y27 to Y184 and Wakachiku Construction gained Y9 at Y669. Brother Industries, however, relinquished Y13 to Y706 on profit-taking.

In Osaka, the OSE average shed 57.55 to 22,366.93 in volume of 20.4m shares. Aoyama Trading, the men's suits retailer, fell Y120 to Y4,180.

Roundup

Regional markets continued mixed, awaiting the outcome of yesterday's FOMC meeting.

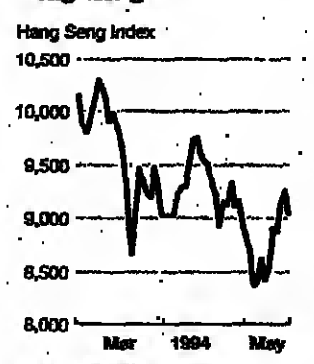
HONG KONG closed sharply lower as the brief detention of a prominent Beijing dissident raised worries about the renewal of China's Most Favoured Nation trade status with the US in a market already cautious about US interest rates.

The Hang Seng index dropped 208.71, or 2.3 per cent, to 9,044.70. Turnover came to HK$4.88bn, against a revised HK$4.10bn on Monday.

The market was also speculating about a possible early agreement with China on financing Hong Kong's new airport, but news that the Sino-British Airport Committee will meet on Friday to discuss the issue emerged after the market close.

Among blue chips, HSBC slid HK$2.50 to HK$83.50, China Light HK$1 to HK$40.75, Swire Pacific "A" HK$2 to HK$55.50 and Hutchisou HK$1 to HK$30.

Hong Kong



Source: Datastream

TAIPEI retreated 1.6 per cent as profits were taken following the market's recent rally. The weighted index fell 98.95 to 6,015.83 in T$67.3bn turnover.

Financials led the falls, with China Development down T$3.5 to T$129.5 and Cathay Life losing T$6 to T$257.

SINGAPORE was steady with selective buying seen among blue chips. The Straits Times Industrial index finished 14.08 higher at 2,304.49.

Shipyard stocks were firmer amid talk that a foreign brokerage was issuing covered warrants on a basket of shipyard companies.

KUALA LUMPUR was easier after a moderate session, a spate of selling near the close having pushed the index down from an early high. The composite index settled 5.88 off at 991.96 in volume of 76.4m shares.

Telekoms, facing a competitive telephone system, weakened 90 cents to M$18.70.

SYDNEY retreated after Monday's sharp gain. The All Ordinaries index finished 14.9 down at 2,096.0 after touching 2,094.8. Turnover was A$548m.

BHP slipped 30 cents to A$17.94, Western Mining dropped 23 cents to A$7.85 and Pasminco shed 15 cents to A$1.80. CRA contrasted with a rise of 8 cents to A$18.46. Turnover amounted to A$560m.

In the banking sector, ANZ slipped 7 cents to A$4.75, Westpac dipped 4 cents to A$4.98 and National Australia eased 2 cents to A$12.04.

WELLINGTON eased, with most of the day's activity taking place in Fletcher Challenge. FCL closed 1 cent up at NZ$3.90 as the NZSE-40 Capital index shed 8.21 to 2,118.04 in turnover of NZ$51m.

SEOUL turned higher in a technical rebound after its three-day consolidation, and the composite index improved 5.21 to 946.87 ahead of today's market holiday.

MANILA rose strongly, helped by an overnight gain on Wall Street for PLDT, together with buying of San Miguel and Manila Electric. The composite index moved forward 34.20 to 2,936.43. Turnover was 950.4m pesos.

PLDT put on 50 pesos at 1,955 pesos, San Miguel "B" increased 5 pesos to 235 and Manila Electric added 5 pesos at 330.

BOMBAY's 30-share index registered a 41.59 decline at 3,802.50 after index-weighted shares fell, but the broader market was steady after a dull session.

Hopes remained high, however, that forward trading will be allowed to resume after a meeting of the Securities and Exchange Board of India on Friday. The old *badla*, or carry forward system, was banned in mid-March on the grounds that it led to excessive speculation.

KARACHI ended firmer on heavy buying of polyester stocks, reflecting expectations of higher profits because of a cotton shortage.

The KSE 100-share index rose 4.43 to 2,189.44.

Johannesburg extends its correction

Sonth African shares extended Monday's downward correction, ignoring more positive fundamentals and attracting little buying interest, Reuter reports.

Dealers said steady selling in small blocks had impacted on price levels and gold's rally above $382 an ounce had done little to reverse the softer trend.

Shares have been making strong gains recently following the country's transition to all-race rule.

The overall index was 41 lower at 5,457, industrials fell 74 to 6,633 and the gold shares index lost 19 at 1,835.

Among the actives, De Beers eased 25 cents to R109 and Minorco declined R2 to R102.

Pockets of strength included a R2.50 gain to R95 for JCI, a R3 advance for Anglovaal to R138 and a 25-cent rise to R32.50 for Remgro.

Independent banker Investec Bank made a strong R3 climb to R58 after reporting a 48 per cent increase in attributable earnings to R80m for the year to March 31.

Parent company Investec Holdings posted earnings per share of 164.7 cents, up from 122.4 cents, and was bid R1 higher to R45. Investec also said it would proceed with a R180m rights issue, terms of which are yet to be announced, to fund further expansion.

South African Breweries receded R2.50 to R100 and Iscor softened 6 cents to R3.36, while gold issue Vaal Reefs slipped R7 to R373.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY MAY 16 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY MAY 13 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	175.12	2.7	172.63	115.78	152.41	160.50	2.1	3.42	170.55	168.54	112.94	147.82	157.17	189.16	130.19	136.82
Austria (17)	174.60	-0.2	172.12	115.42	151.95	151.78	0.3	1.06	174.88	172.81	115.80	151.58	151.38	195.41	140.14	143.21
Belgium (42)	173.03	-0.4	170.57	114.38	150.59	147.04	0.0	3.71	173.73	171.67	115.04	150.57	147.04	176.67	141.92	147.86
Canada (108)	128.47	1.1	126.64	84.93	111.81	127.97	0.9	2.63	127.06	125.55	84.15	110.12	126.84	145.31	121.46	127.23
Denmark (33)	254.47	-0.1	250.85	168.22	221.45	226.73	0.4	1.30	254.70	251.68	168.65	220.74	225.82	275.79	207.58	223.89
Finland (22)	152.27	-1.0	150.10	100.66	132.52	174.28	-0.3	0.66	153.82	152.00	101.86	133.31	174.87	156.72	86.54	92.51
France (98)	176.12	-0.4	173.61	116.42	153.27	158.56	0.0	2.84	176.74	174.65	117.03	153.15	158.50	185.37	149.60	153.87
Germany (58)	144.60	0.1	142.55	95.59	125.85	125.85	0.6	1.64	144.41	142.70	95.62	125.15	125.15	147.07	107.59	112.78
Hong Kong (56)	379.99	1.5	374.59	251.20	330.71	376.94	1.5	2.83	374.51	370.08	247.99	324.59	371.49	506.56	271.42	284.20
Ireland (14)	184.86	0.1	182.23	122.21	160.89	177.88	0.1	3.42	184.68	182.50	122.29	160.06	177.68	209.33	159.93	161.82
Italy (60)	93.58	-2.6	92.25	61.87	81.45	112.47	-2.0	1.39	96.31	95.17	63.77	83.47	114.79	97.78	57.88	69.61
Japan (469)	156.84	-0.2	154.61	103.68	136.50	103.68	-0.3	0.78	157.12	155.26	104.04	136.17	104.04	165.91	124.54	143.23
Malaysia (98)	471.84	-1.3	465.13	311.92	410.65	474.57	-1.2	1.42	477.84	472.19	316.42	414.15	480.24	621.83	312.61	330.98
Mexico (18)	1916.82	0.3	1889.54	1267.14	1668.19	6968.38	0.1	1.12	1911.26	1888.62	1265.57	1656.44	6958.60	2647.08	1431.17	1471.03
Netherland (26)	202.61	-0.1	199.73	133.94	176.33	173.80	0.3	3.23	202.85	200.45	134.32	175.81	173.23	207.43	163.30	168.04
New Zealand (14)	68.99	2.1	68.01	45.61	60.04	62.48	1.7	3.82	67.56	66.76	44.74	58.55	61.46	77.59	46.89	47.07
Norway (23)	198.59	0.1	195.76	131.28	172.83	196.52	0.6	1.70	198.35	196.00	131.34	171.91	194.43	206.42	150.61	160.30
Singapore (44)	342.90	0.7	338.02	226.68	298.43	245.04	0.5	1.64	340.44	336.41	225.43	295.06	243.77	376.92	242.46	249.92
South Africa (59)	264.70	-0.5	260.93	174.98	230.36	282.39	-0.7	2.19	266.14	262.98	176.23	230.65	284.45	280.26	176.93	191.83
Spain (42)	145.75	0.9	143.67	96.35	126.84	153.12	1.6	3.89	144.50	142.75	95.68	125.23	150.83	155.79	116.39	130.53
Sweden (36)	228.63	0.1	225.38	151.14	198.98	263.52	0.7	1.52	228.46	225.76	151.28	198.01	261.72	230.02	169.85	178.35
Switzerland (47)	155.84	0.8	153.62	103.02	135.62	137.82	1.0	1.75	154.59	152.78	102.36	133.98	136.50	178.56	121.20	121.70
United Kingdom (205)	192.01	0.1	189.28	126.93	167.11	189.28	-0.2	3.92	191.86	189.59	127.04	166.29	189.59	214.96	170.32	177.66
USA (519)	181.05	0.0	178.47	119.68	157.56	181.05	0.0	2.85	180.98	178.84	119.84	156.85	180.98	198.04	178.95	179.55
EUROPE (723)	170.47	-0.1	168.04	112.69	148.36	160.94	0.1	2.89	170.64	168.62	112.98	147.89	160.80	178.58	141.56	145.54
Nordic (114)	215.42	-0.1	212.35	142.41	187.48	216.75	0.5	1.38	215.67	213.11	142.81	186.91	215.77	220.60	165.82	168.03
Pacific Basin (750)	165.48	0.0	163.12	109.39	144.02	113.75	-0.1	1.97	165.42	163.46	109.54	143.37	113.91	166.80	134.79	147.20
Euro-Pacific (1473)	167.40	0.0	165.02	110.66	145.69	132.31	0.0	1.63	167.44	165.46	110.87	145.12	132.38	170.76	141.98	146.40
North America (625)	177.76	0.1	175.25	117.52	154.72	177.37	0.1	2.83	177.63	175.53	117.62	153.95	177.24	192.73	175.67	176.30
Europe Ex. UK (518)	154.84	-0.2	152.64	102.36	134.75	142.83	0.2	2.26	155.17	153.33	102.75	134.48	142.50	157.47	122.37	125.70
Pacific Ex. Japan (281)	250.07	1.2	246.52	165.32	217.64	225.94	1.0	2.64	247.09	244.17	163.62	214.15	223.64	298.21	182.39	198.35
World Ex. US (1656)	168.27	0.0	165.88	111.24	146.45	135.42	0.0	1.85	168.28	166.28	111.43	145.84	135.46	172.51	142.94	147.01
World Ex. UK (1970)	169.52	0.0	167.11	112.06	147.53	145.89	0.0	2.05	169.51	167.51	112.25	146.91	145.97	175.58	153.22	154.94
World Ex. So. Af. (2116)	170.95	0.0	168.52	113.01	148.78	148.90	0.0	2.23	170.92	168.90	113.18	148.13	148.89	178.56	155.00	156.80
World Ex. Japan (1706)	181.37	0.1	178.79	119.88	157.84	176.49	0.1	2.88	181.20	179.05	119.98	157.04	176.24	195.20	165.72	166.02
The World Index (2175)	171.51	0.0	169.07	113.38	149.27	149.89	0.0	2.23	171.49	169.46	113.56	148.63	149.90	178.97	155.17	156.94

Latest prices were unavailable for this edition.